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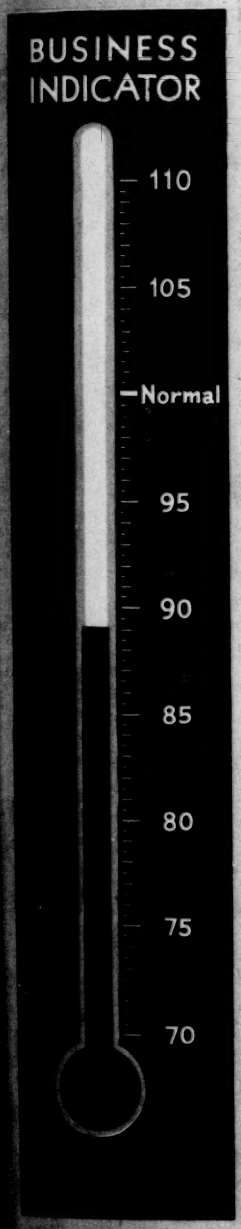
SEPTEMBER 3, 1930

THE BUSINESS WEEK



AFTER about two weeks' delay due to drought scare, the signals of the beginning of definite business recovery, which in June we said would appear early in August, begin to flicker faintly amid the encircling gloom. . . . . Our index, turning slowly from the low level reached during the first two weeks of the month, has risen to 89% of normal as compared with 87.2% last week and 111.1% last year. (See pp. 33-34.) Nearly every important weekly indicator has turned upward this week, while a year ago almost all were sliding steadily down. . . . . Steel activity, coal production and carloadings are up more than seasonally; electric power output is increasing slowly; building is resisting seasonal decline; general trade volume is rising nearer to normal levels; and commodity prices have ceased their rapid decline. . . . . Whether this upturn is to carry us beyond the seasonal hump during September and bring business back to normal by the end of October depends now on two things only: whether the Federal Reserve will keep the credit clock wound up by buying bills and securities steadily, and whether business brains will jump energetically into the job after Labor Day. . . . . From now on business will be much better, or much worse, as we choose.

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F. O. B. DETROIT . . . DUAL REAR WHEELS AT SLIGHT EXTRA COST

THE COMPLETE LINE OF DODGE TRUCKS RANGES IN CAPACITIES FROM 1000 POUNDS TO 11,800 POUNDS

THE BUSINESS WEEK (with which is combined The Magazine of Business). Sept. 9, 1930, No. 52. Published weekly by McGraw-Hill Publishing Company, Inc., Tenth Avenue at Thirty-Sixth Street New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. $5.00 per year, 10c per copy. Entered as second-class matter February 15, 1930 at the Post Office at New York, N. Y., under the Act of March 3, 1879. Printed in U. S. A. Copyright 1930 by McGraw-Hill Publishing Company, Inc.

What's In This Issue —And Why

Better Business

EIGHT statistical records indicate business is improving; they range from increased production to department store sales. *(page 5)*

Blades

GILLETTE'S new model was the signal for a scramble in the razor blade market that has reached epic proportions. It is one of the liveliest fights of a hard-boiled year *(page 11)*

Refrigerators

ESTABLISHED manufacturers of mechanical refrigerators have found that 1930's threat of new competition was just a promise of new orders. Most of the new competitors didn't get into action, but their announcements stimulated public demand. *(page 8)*

Selling Food

BRITAIN adopts American food distribution and manufacturing set-ups, then goes step further, merges producers and 6,000 retail outlets in a $57 million corporation. *(page 7)*

QUICK-frozen foods gain wider distribution; an Indianapolis packer enters the field, General Foods equips 8 more retail outlets. *(page 7)*

UNUSUAL tie-up—Kroger Co. will manage food departments in two Sears Roebuck stores, more if the experiment succeeds. *(page 10)*

Gas and Candy

MORE and more gasoline stations will sell more and more things—tires, bulbs, batteries, even candy. *(page 13)*

The Drought Scare

THE drought scare can't hold crop prices up any longer. The Farm Board has gone in to help cotton. Further reports confirm the belief that there was more scare than drought. *(page 6)*

Buses vs. RRs.

BUSES still bother railroads; they consider a joint advertising campaign to repopularize train travel. Rate cuts enliven the scrap. *(page 14)*

Air Mergers

THREE companies now control two-thirds of domestic air traffic; 10 builders make 70% of all planes, and the end of mergers is not yet. *(page 15)*

Ships

SHIPPING policy ever plagues the administration; just now it's U. S. Steel's bid for a line, without mail subsidy. *(page 16)*

Tariffs

WELL-nigh desperate in her deep depression England will abandon free-trade for protection, but just what kind of protection is an interesting problem. *(page 26)*

THE Dominions will have much to say about it; perhaps Australia will testify high tariff is not good medicine for depression. *(page 27)*

NOR are the Dominions one big, happy family. Canada raises rates on New Zealand butter; New Zealand promptly removes preference from Canadian automobiles—$7 millions worth a year. *(page 27)*

CANADA'S new government, in first flush of victory, planned horizontal tariff increase but on reflection decides instead on selective increases at Parliament's emergency session. *(page 12)*

Homes

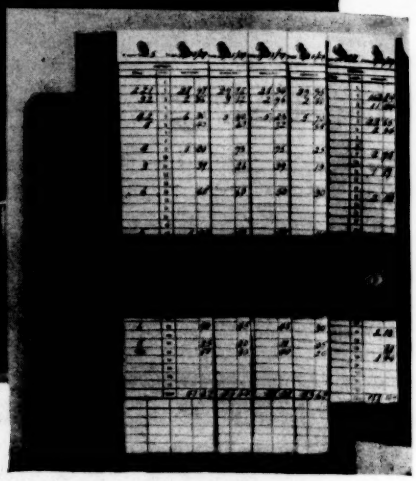
BUSINESS revival needs more home building; there are faint signs of pick-up. The much-maligned "speculative builder" could help most. *(page 20)*

MEANWHILE the Pacific Northwest feels the effects of a serious depression in the lumber industry. *(page 22)*

Putting

PONY golf may be just a fad, but it has sold much pipe, cement, lumber, clubs, lights, and cork. *(page 9)*

THE HIGH SPEED MACHINE COMPTOMETER FOR ALL FIGURE WORK



Sales Analysis

the low cost way

IN business, as in navigation, safety and profit demand the locating and charting not only of the danger points—the rocks, the reefs and shoals—but likewise, the shortest routes to profitable ports.

Management finds its best and truest chart in a broad, searching sales distribution and analysis.

Always the clerical expense of operating such an analysis is reflected in the profit account. And it is important, therefore, that the fastest, most direct methods be employed.

Two things essential to high speed distribution at low cost, are:

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Comptometer speed, with the Strip Peg Board Method, meets these requirements. In combination, they lower the cost of accumulating the totals and make the expense of numerous postings unnecessary.

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If you would like to see how the Comptometer Strip Board would handle your sales distribution and analysis, a Comptometer man will be glad to demonstrate it in your office, without obligation or commitment on your part. Or, we will mail you free on request a copy of our booklet, "Simplified Sales Analysis."

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending Aug. 30, 1930

Eight Statistical Straws Show Freshening of Business Breezes

Production and Trade Indicators Turn Upward; Commodity Prices Resist Further Decline

SOME statistical straws in this week's news suggesting that the withering wind of business recession has been slowly turning and freshening:

Nearly every important indicator of production and trade in *The Business Week* index covering the past two weeks shows some increase, after a month or more of continuous decline, while a year ago most of them were falling steadily. Steel, coal, electric power production, building contracts, carloadings, check payments, money in circulation have risen. In some cases the rise is small or less than seasonal so far, but that they are rising can only mean that the kaleidoscope has shifted to a less somber hue.

Commodity prices so far in August have resisted further decline. A few like cotton, cattle, hogs, butter and steel scrap have turned upward; others like wood, lead, tin, zinc, copper have remained firm in spite of slack trade.

Building contracts in the metropolitan area of New York, where building recovery usually shows itself first, have been awarded so far in August at a daily rate about 20% above July, and 10% above last August.

Railroad net operating income in July was 14% above June. The decrease under last July was only 30% against more than 33% for the first six months of this year compared with last.

Anthracite production in July was 7% above June and 18% above last July, while so far August is running above last year.

Sales of standard cotton cloth in July were 9% above production, as against 34% below in June. Shipments were 7% more than production; in June they were 8% below. Stocks at the beginning of August were 2% lower than at the beginning of July.

Some 25 woolen and worsted mills are running at capacity, with enough orders to maintain this rate for 6 weeks.

Department store sales in July in the New York Federal Reserve District were only 3.4% below last year, with prices much lower than that. Sales of musical instruments and radios were 87.8% higher, toilet articles and drugs 12.6%, and toys and sporting goods, men's and boys' wear, shoes, furniture, men's furnishings and cotton goods showed increases ranging from 2.4% to 7.6% over last July. Stocks on hand at the beginning of August showed the largest decrease from a year ago (5.8%) reported in recent years. Stocks of women's and misses' ready to wear clothing were 26.6% below a year ago, woolen goods 34.4% below, silks and velvets 23.5% below.

Supply and Demand Back on Job As Drought Scare Wears Off

THE Great Drought Mystery deepens, but seems to be becoming mainly a matter of academic interest to the political historian who wants to know how it all started and why. So far as the facts are concerned, in their broader implications for national business, it will probably not be cleared up till the

Wide World

BANKERS HELP HOOVER TO HELP DROUGHT-STRICKEN FARMERS

In the group which met with the President are: Clyde Henedricks, president of the Valley Bank, Alabama; J. H. Stanley, president of Arkansas State Bank Association; Elmer Stout, president of Indiana State Bank Association; Melvin A. Traylor of the Chicago Bankers Association; Myron A. Limbocker, president of Kansas Bank Association; Nicholas Dosker, vice-president of Louisville Trust Co.; Dr. W. D. Hass, Virginia; Morton Prentis, president First National Bank of Baltimore; Charles E. Reiman of the Federal Reserve; Hugh S. Mackey, manager of International Credit Bank; Arnold G. Stifel, St. Louis; Edward G. Seiter of Ohio Bankers Association; Murray D. Lincoln, secretary Ohio Farm Bureau; James H. Hader, Tennessee; F. H. Fugus, Texas; Fred W. Scott, Virginia; F. D. Drumheller, West Virginia

crop reports are out early in September.

Reports grow more confusing and conflicting. At the very time the President's National Drought Relief Commission was assembling in Washington for its first conference, Mr. Legge, Farm Board Chairman, traveling through the West, far from Washington, gave the Associated Press a statement which most eastern papers ignored. He said:

Too Much Conversation

"There has been too much conversation, and misinterpretation of facts regarding the drought has resulted in the mistaken impression that the damage has been widespread throughout the agricultural states, resulting in a decrease in farm incomes. While the damage has been large in the tiers of counties adjoining the Rocky Mountain region, in Missouri, Kentucky, Virginia, West Virginia, Maryland and certain of the Southern states, including Texas, the drought has not been serious in the upper Mississippi and Missouri valleys. The agricultural region of the nation, of which Iowa is the center, will enjoy almost, if not fully as good or better farm incomes this year than in 1929. This includes Nebraska, northern Kansas, northwest Missouri, eastern portions of the Dakotas, Minnesota, Wisconsin, most of Illinois and portions of Michigan, Ohio and Indiana."

Effect of Rains Uncertain

The extent to which recent rains may have altered conditions in affected areas is still uncertain. Washington information to *The Business Week* indicates that drought conditions have improved but little during the past two weeks. In the regions west of the Rockies which have been in the grip of the drought all summer, little relief has come except for two recent rains from Oklahoma northward to South Dakota. Some rain also fell in parts of Pennsylvania, New York and New England where conditions were not so severe as through the Central Valley states where it is as dry as ever. The general drop in temperature over most of the country plus some regional cloudiness is slowing down evaporation and checking crop damage to some extent, but it will take soaking rains to bring things back. Rain will come too late to repair corn damage, but the crop can always make good silage fodder. Pastures can be freshened even up to normal June conditions by rains as late as September.

Whatever the final damage may prove to be it is clear that it has not affected wheat, cotton, fruits and vegetables. Dairy and livestock producers evidently expect to get by, with such necessary aid as has been organized in Washington to enable them to avoid emergency sacrifice of stock. It is clear that livestock are not being dumped on the market for slaughter. Millers report exceptionally large grinding of wheat for feed. Nat Murray, Chicago grain statistician, estimates that between 150 and 175 million bushels of wheat may go for feed as against a normal of 50 million. Industrial alcohol producers are using rye instead of corn to keep up our spirits.

Bears Rule Wheat

It is evident that the grain markets and general business sentiment have reacted to drought reports all that they are going to, at least till the September crop reports come in. Wheat is only a couple of cents above the low price touched at the beginning of the month before the papers discovered the drought and 12 cents below the high point reached at the peak of the scare. Corn is about 5 cents below its high and, though it is selling about 25 cents above the low for the season, it is still more than 5 cents under the price last year at this time, drought or no drought.

This means merely that the wheat market is still under the bear's paw. The Department of Agriculture, when Mr. Legge's back is turned, gives out statistics that make the unbiased observer wonder why wheat is so low. The latest are that European supplies available outside Russia are likely to be 200 million bushels below last season. Our exports this year have been 12% above last year and 60% above 1928. With an extra 100 million fed to cattle and hogs here, the surplus might become a poor political talking point at planting time this fall. But the Farm Board wants acreage reduction and seems likely to get some so long as prices are held down. According to August reports received by the Department, farmers intend to plant 4.5% fewer acres to winter wheat this fall than last, and less than in any year since 1923. Usually actual fall plantings are 4% below the August intentions.

Cotton, which has pretty much ignored the drought scare, has, nevertheless, been markedly stronger in the past week. This is partly because there has been a marked revival of buying for foreign account in the South, partly because farmers are holding their crop and the Farm Board has offered to help them do so on a more generous scale. The Cotton Cooperative Association, Farm Board marketing agency, has arranged to make advances up to 90% of value on this crop.

Acme

SIR THOMAS

While he makes ready for the races, Lipton's stores help to form a super-chain

The surplus looks larger than it actually is because the world supply is being held mainly here. Textile production has been drastically curtailed the world over and the United States is holding the bag on stocks of raw cotton. The revival of foreign buying and business pick-up here would draw down stocks rapidly; change the picture fast.

At any rate, this is the first move the Farm Board has made to check farm price declines in many months, and suggests they may realize that a large enough dose of deflation medicine has been administered—at least, for cotton.

The Canadian wheat pool is evidently still doubtful. With the provincial governments refusing to guarantee any credits to it, it will advance farmers as initial payment on this year's crop only 60 cents a bushel.

British Food Producers Gain Control Over 6,000 Chain Stores

Lipton and Other Big Retail Groups Included; Merger Has No Counterpart in This Country

By Special Cable to The Business Week

ACQUISITION of Great Britain's International Tea Stores by the group already controlling Home and Colonial Stores, Lipton's Ltd., Meadow and Maypole Dairies completes a producer-retailer tie-up that eliminates the wholesaler from a large part of British food trade and definitely insures controlled retail distribution to the manufacturing interests represented by Unilever, in which Lever Bros., soap makers, hold an important interest.

Home and Colonial Stores bought Maypole Dairies 6 years ago, adding in 1929 the Brough's Stores, Neale's Tea Stores, Peark's Dairies and Sherry Dairies, and forming a private buying syndicate made up of allied suppliers. Since then, Lipton's Ltd., Meadow Dairies and now International Tea Stores have been acquired to build more economical producer's distribution.

Thus 6,000 retail stores will be organized into the largest chain system of the British Empire. Unification of purchasing and distributing facilities, standardizing of systems and procedures, are expected to effect important economies, paralleling rationalization activities of British industries in the field of distribution.

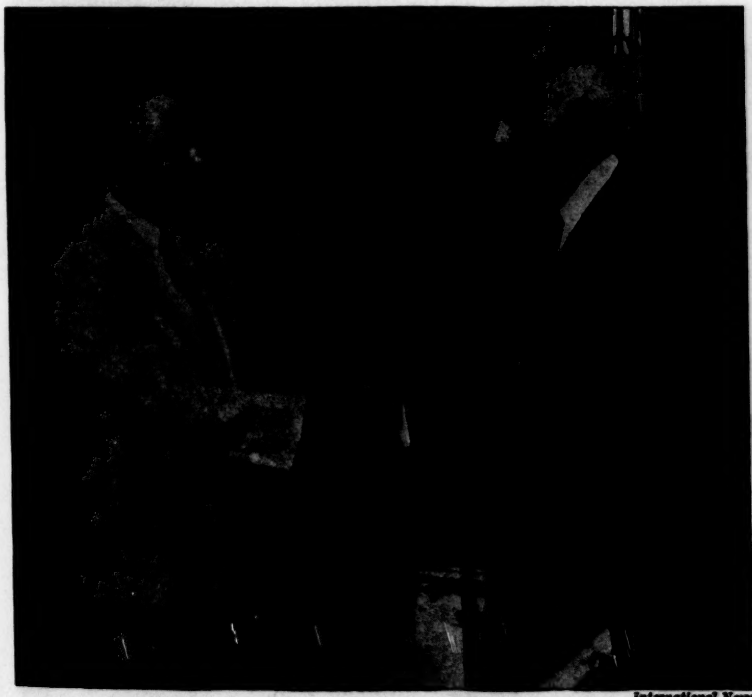
Final accomplishment of this consolidation, with $57 millions of capital represented in the 5 major companies (Home Colonial, Maypole, International Tea, Meadow and Lipton's Ltd.), is credited to Colin Cooper, brilliant London financier and organizer, under 45; reflects intensive study of United States practices in chain store systems and horizontal mergers, such as General Foods Corporation, Standard Brands; constitutes an important new development in British food distribution.

—

Fusing of food-producing interests with retail chain systems has not been undertaken in the United States, the only functional counterpart to the new British combine being the Great Atlantic and Pacific Tea Co., which originated as a retail chain and acquired or created facilities for canning, packing, fruit growing, etc., as its stores built definite markets for such products.

American interests are keenly awake to the importance of this new type of merger and consider it not unlikely that similar consolidations may take place here. With the growing competition between private brands and nationally advertised brands and the resulting decrease of possible markets for the latter, manufacturers may ultimately find it necessary to join forces with retail chain systems in order to retain their position in the field through definite control of their retail outlets.

There have already been minor cases, chiefly where wholesalers owning private brands have created small voluntary or private chains to retain their market. Outstanding example is R. C. Williams & Co., New York, which after 119 years in business built up a group of 400 Royal Scarlet stores to provide a steady market for Royal Scarlet food products, canned goods, spices, coffees, teas, and cereals.



International News

MR. BURNET—MR. MELLON

The new Commissioner of Internal Revenue, David Burnet of Cincinnati, (left) is congratulated by Secretary of the Treasury Mellon

Ready-Cut Meats Make Friends and Enemies

USING the Kolbe process for quick-freezing, the Indianapolis Abattoir Co. has entered the market with a line of packaged and branded "Frigid Meats," offering 33 varieties of standardized cuts, emphasizing the fact that its meats can be cooked in either a thawed-out or frozen condition. Retailers are provided with special storage cabinets, using solid carbon dioxide (CO_2) as refrigerant. Dummy packages are used for display.

General Foods Corporation has recently equipped 8 more retail outlets to handle its frozen foods, has perfected plans for their early introduction into one of the country's biggest cities, others of the same class to be supplied as quickly as satisfactory service to the consumer can be assured.

While dealers report general acceptance of ready-cut quick-frozen meats, their increasing popularity is causing concern in several quarters.

The independent master butcher, battling with the growing number of chain combination grocery and meat markets, hesitates to retail them, fearing ultimate loss of his present advantage as an expert meat dispenser.

Labor, through various butchers'

unions, has been fighting for state laws and municipal ordinances to obstruct their sale or confine it to regularly licensed butchers carrying on their trade in regularly established butcher shops.

Capital for further ventures in the merchandising of these products awaits a decision on the packers' consent decree.

Refrigerator Makers Cash In On Threats of New Competition

MANUFACTURERS of mechanical refrigerators for household use who, for several years, have been sowing their field heavily with advertising and educational publicity and for several years reaping an increasing harvest of orders are finding that 1930, despite the business blight, is their big crop year.

One of the reasons is that public interest in their products has been stimulated, not only by their own activities but by the activity of a host of prospective new competitors—mostly manufacturers of radio sets—who have been struggling to add on or switch to a profitable line of refrigerators and filling the papers with announcements of plans and progress. Most of these new entries have failed to get far beyond the announcement stage; long-established manufacturers have cashed in heavily on the new demand.

G.E. Up 30% for 6 Months

General Electric Co.'s refrigeration department reports for the first 6 months of 1930 a sales increase of 30% over 1929—significant, with the total company sales off about 4% and orders booked down 15%. In New England, G. E. refrigerator sales are up 48%; the New York territory had an all-time record-breaking July; other districts are up in proportion. Unofficially it is stated that General Electric Co. does not expect to revise prices downard to meet recent or impending price cuts of established makers or forthcoming new competition, believes that reputation, performance record, distinctive type of unit, insure its future position.

Frigidaire, General Motors product, first in the field, now second to G. E. in volume, proceeds to consolidate its position—announces a gray-enamel fighting line to tap the low-priced market. The leading model, priced at $157.50 (factory), is large enough for a family of 8. This is in line with General Motors policy to supply every class of buyer.

Kelvinator Corporation, third largest maker, in troublesome waters during 1927 and 1928, continues its gains of 1929 with earnings up over 65% for 9 months period ending June 30; will announce a popular priced model early in September. Copeland Products, Inc., next in importance, shows dollar sales up 43% in first 6 months of 1930, unit shipments up 35% and unfilled orders 94% above 1929.

Organized sales efforts of large utilities are chiefly responsible for these remarkable records. Associated Gas & Electric properties placed over 18,000 units on their lines—4,000 through dealers—a "cold air derby" competition among sales organizations boosting results.

Georgia Power Co. sold 3,282 units in 52 days. The New York Edison Co. in 86 days (May 6 to July 31) placed 15,167 units at $2,690,147 with 12,894 units going into apartment houses, all transactions being cleared through dealers.

A significant reversal of selling practices has proved surprisingly effective in Georgia, demonstrating that terms can sell merchandise. Pre-supposing the purchaser's intention to pay in instalments, total price of unit or installation is rarely given. Instead, salesmen have quoted the amount of monthly instalment—$6.00, $7.00, etc.—payable for 36 months.

While established manufacturers have been reaping such a tremendous harvest, new competition has been struggling to gain a foothold. Zero-zone did considerable volume on its $129.50 unit; expects continuing gains because of its price advantage. Servel, slowly climbing out of a deficit, is concentrating on gas-operated refrigerators, the field it dominates with Electrolux.

Grigsby-Grunow Company, Chicago, makers of Majestic Radio Sets, with large orders in the hands of Majestic Household Utilities Corp., its subsidiary, expected to be in volume production in June, but has not yet announced models, or prices. Reliable information places leading models at near $100.

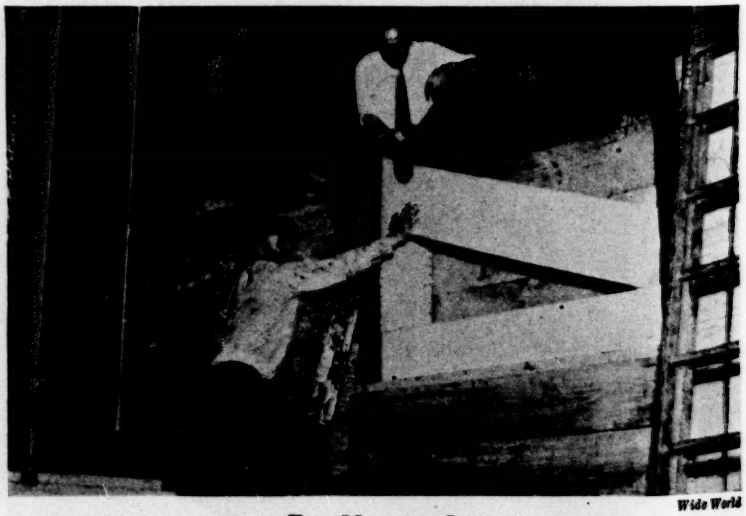
Crosley Radio Corporation, Cincinnati, is experimenting with a unit to sell in the $100–$125 range, but is not in production. Zenith Radio Corporation, Chicago, is reported to be similarly situated.

Manufacturers of ice and makers of "ice box" refrigerators, have joined to harmonize advertising, attempt standardization.

Electrical Appliance Sale 8.8% Ahead of 1929

DESPITE general business depression, sales of electrical appliances for the first half of the year were greater than in the same period last year.

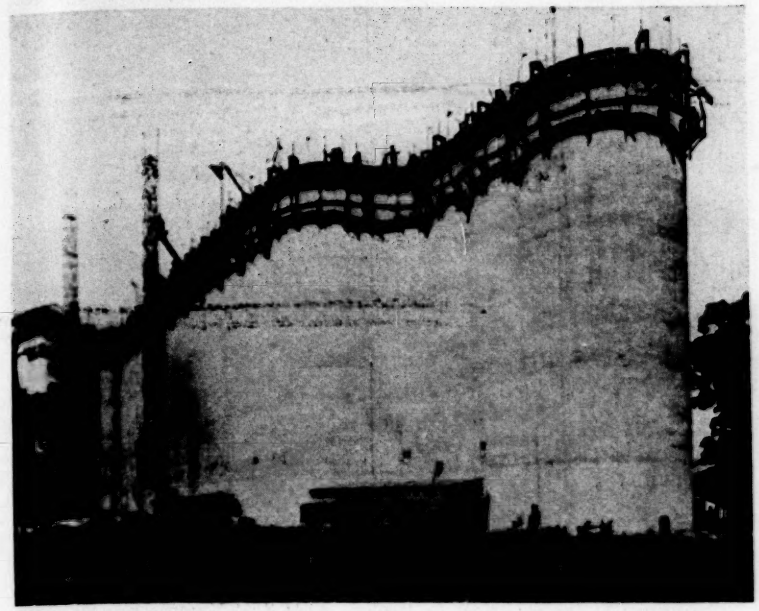
Indicative of the gains made in the



Wide World

FOR MEXICAN ICE

This huge ice-box has cork walls 12 inches thick. It has been erected on Pier 15, Brooklyn, to receive the carbon dioxide "ice" produced in the Quebracho oil fields (The Business Week, August 20). It holds 70 tons



CARCASSONNE? NO, MINNEAPOLIS!

What look like towering ramparts topped with medieval war machines are really the walls of a new 1,500,000 bushel elevator of the Farmers Union Terminal Association. With another like it in St. Paul, it brings the Twin Cities storage of the association up to 4,000,000 bushels

entire appliance field are the reports of the principal electric light and power companies to *Electrical Merchandising* on their appliance sales for the first 6 months. These reveal a total sales increase of 8.8% over the same period in 1929. The utility companies do about one-third of the total appliance business.

Somewhat of a surprise, also, in view of general conditions, is the fact that chief gains were made by the more expensive appliances; the smaller ones did not hold up so well. Refrigerators showed a 6% increase; ranges, 45%. Growing popularity of the ironer is indicated by a 34% increase; washers, 10%. Vacuum cleaners alone, of the major appliances, showed a falling off—4%.

Business Cooperatives Profit By Minnesota Law for Farmers

BUSINESS men in Minnesota who used to rail at the state's cooperative marketing laws are discovering that what is sauce for the farmer may also be sauce for the storekeeper, the manufacturer, and the consumer.

Seventeen business groups in St. Paul and Minneapolis have now organized as cooperative concerns to gain legal privileges denied them as ordinary corporations. Several hundred other business and consumer coops have been formed in the state.

General contractors, drug store proprietors, cement block manufacturers, chick hatcheries, plumbers, laundry owners and commercial fishermen are some of the groups which have taken advantage of the laws drawn originally for the benefit of farmers. Gasoline and electricity consumer coops are flourishing. Some of these groups organized to gain advantages through centralized selling of products at fixed prices, others to buy in large quantities, still others to control trade practices.

Important in the Minnesota cooperative statutes is a clause that permits members of coops to negotiate standard prices for their products. Ordinary corporations that tried this would be prosecuted for price-fixing. When the Twin City Milk Producers Association, now one of the model dairy coops of the country, was organized in 1919, its members were indicted in Hennepin County (Minneapolis) for restraint of trade. The next legislature removed coops from this danger.

Today there are 4,225 cooperative associations in the state. Last year they did an annual business estimated by state officials at close to $275 millions. The 4,225 do not include farmers' mutual fire insurance companies having around $1 billions of insurance in force in Minnesota, and operating under separate laws. Minnesota and California lead all other states in number of coops and volume of their business.

The price-fixing privileges obtainable under the cooperative laws are subject to the exercise of official rights which thus far have prevented any noticeable abuses.

Business groups which have suffered from severe price-cutting wars among themselves have found a remedy in the cooperative form of organization.

In the past year there has been rapid development of small cooperative oil and gasoline consumers' groups which buy at wholesale, sell at retail and distribute profits in patronage dividends. These have been almost uniformly successful, according to J. H. Hay, deputy commissioner of agriculture.

Mr. Hay adds that the proportion of failures among Minnesota cooperative organizations is lower than among ordinary business ventures.

Miniature Golf Helps Many Kinds of Business

ORIGINATED by Fairyland Mfg. Co., Chattanooga, as a market for a by-product, cotton-seed hulls, taken over by National Pipe Products Corporation to bolster up sale of pipe, Tom Thumb Golf and its imitations have helped many kinds of business in many places.

Concrete mixers grinding away at midnight, club manufacturers working extra shifts making putters, lively bidding for well-located empty lots in an otherwise dull real estate market, are all evidence that a new fad has taken popular fancy.

The U. S. Department of Commerce estimates 25,000 small putting courses finished at an expenditure of $125 millions. Thousands more are being built. Lumber manufacturers think that before the game goes stale $50 millions worth of lumber will be bought for building of new, and the housing-in of existing courses. A well-known manufacturer of lighting equipment produced a special flood-lighting unit for courses, started with a production schedule of 1,000 per

year, sold that many the first month, now is busy catching up with orders.

A. G. Spalding & Co. reports 5% more business than in 1929 and credits pony-golf. Armstrong Cork Co. offers a special product for surfacing fairways to compete with the patented cotton-seed hull surfacing, sold by the originators. Ozite Rug Cushion Co. has designed a new fabric for the same purpose.

Profit Shortage Forces Truce in Cigarette War

BATTLING cigarette retailers have again declared a truce and Camel, Lucky Strike, Chesterfield, Old Gold are back at the old "two-for-a-quarter" level—40 cigarettes for 25 cents. No one admits having started the war, but United Cigar Stores Co. have been selling all 15¢ brands at 12¢; A. Schulte stores have quoted them at 11¢ in some localities; R. H. Macy & Co. of New York, refusing to deal in fractions, but insisting on going at least 6% lower, has offered 2 packages for 21¢ and a carton of 200 for $1.02; Great Atlantic & Pacific Tea Co. has, for some time, sold 2 packages for 23¢.

Hostilities ceased as mysteriously as they had begun, all the big chains restoring the regular 13¢, 2-for-25¢ price. The slight increase to the consumer means a boost of at least 60% in the retailer's net profit on cigarette sales. It's badly needed to improve the earnings records of the cigar store chains and new cuts may not be expected for some time.

Cigarette manufacturers, undisturbed by retailers' quarrels, report production for the first 7 months of 1930 over 2 billions ahead of 1929

No "Sub-Standard" Labels On Canners' 1930 Pack

WELCOME news to the canners was the announcement this week that the sub-standard canning act, passed at the last session of Congress and providing that all canned goods below a set standard must be labelled as such, probably will not affect this year's pack. Because of the drought, the percentage of high-quality goods will be smaller this year.

The Food and Drug Administration of the Department of Agriculture, has called on manufacturers, canners' associations and organized consumer groups to determine among themselves what marks of quality go to make a grade of canned goods high or low. The establishment of standards is expected to be a long-drawn-out and highly complicated process. Canners, believing it would increase the public's confidence in canned goods, urged the legislation.

Wide World

THE 5 AND 10 IN BERLIN

This newest Woolworth, the 57th in Germany, is in Leipziger Strasse, the principal shopping street in Berlin. Even the curtains are the same.

Offers "Yarn-of-the-Week" To Meet Novelty Demand

CAPITALIZING the popularity of the "book-of-the-month" idea, the Indian Orchard Company, of Indian Orchard, Mass., manufacturers of yarn, has created a Yarn-of-the-Week Club. Each week, the company will send out a sample card to customers carrying a novelty yarn suggestion.

In a letter to the trade announcing the plan, the company points out that, while each suggestion may or may not be applicable to the immediate problem of the customer, it may create an idea; that the new yarn or a different application of an old one, may be the first step in creation of a fabric bizarre enough to satisfy the current demand for novelty.

Test American Starches For American Textiles

AMERICAN textile mills import white potato starch from Germany; German textile mills import corn starch from America. Government scientists think that if mill foremen here knew more about the properties of starches and the correct processing peculiar to each kind they would be less reluctant to substitute corn starch for imported potato and tapioca starches. So the Bureau of Standards has cooperated in the opening of a laboratory at Alabama Polytechnic Institute to get the information for them, find a new corn starch market and a home supply for textile starch buyers.

Kroger to Sell Foods In Sears, Roebuck Stores

QUIETING rumors of an impending merger, President Albert H. Morrill of Kroger Grocery and Baking Co., announces that his company will conduct general grocery, meat, and produce departments in Sears, Roebuck & Co. department stores at Chicago and Cincinnati.

If experiment succeeds, food shops will be installed in others of the Sears chain of 46 department stores, may eventually be extended to some of the 269 small retail stores.

The move is in line with Sears, Roebuck's apparent policy to secure a wider slice of the consumer dollar and thus offset the otherwise inevitable drop in dollar sales due to lower price levels.

Kroger experience in marketing food products insures efficient departmental operation while Sears reputation, publicity, service, should supply a rather steady flow of sales.

Montgomery Ward & Co. announces that it has no intention of duplicating the set-up by affiliation with some other food chain organization.

Stirring Battle Rages for Vast Razor Blade Market

Gillette, Long Dominant, Faces Host of Busy Competitors and a Vexatious Patent Row

STIRRING as any merchandise battle of recent years is the struggle for the razor blade market. Gillette, long dominant, has a host of opponents, big and small, all aggressive. One of them, Auto Strop, is fighting its way toward a merger on highly advantageous terms, Wall Street hears; the principals refuse comment. The rest, through merchandising offers, heavy advertising, scramble for business. It was always a battle, but never the mêlée it has been since Gillette launched a new model in March.

Merger May End Suit

Gillette–Auto Strop nuptials would end a patent suit. Soon after its new models appeared, the Gillette company publicly invited suits to put an end to a whispering campaign that its patent position was not sound. Auto Strop accepted the invitation. It filed suit in the Delaware courts, charging the new Gillette blade infringed Auto Strop's patent for the Probak blade with a cut-out center. An injuction was asked, also damages, and an accounting of profits. Suit also was filed against the United Cigar Stores in Connecticut for distributing the Gillette product.

Gillette's answer alleged that Henry J. Gaisman, to whom the reissued Probak patent was granted Jan. 14 this year, adopted devices already known and used; also it was alleged that the reissue represented an unlawful expansion beyond the original patent, to embrace devices which had in the meantime gone into general use.

Gillette is far and away the dominant factor in the beard-removing industry. In past years it did 75% of the world's business. The company makes 100,000 razors and 3 million blades a day. It cost over $4 millions to put the new Gillette on the market. Yet at the end of the first quarter this year when the force of that shock was most apparent it was announced that the company had $7,500,000 cash on hand with no indebtedness, but current liabilities of about $200,000. Gillette's net earnings for 1929 were $13,581,683; Auto Strop's '29 net, $1,065,035.

About 31 million Americans face their mirrors every morning and reach for some type of razor. (Alexander the Great is accused of having started the shaving habit to keep himself looking young.) King C. Gillette's invention of the safety razor in 1901 changed the world's shaving habits. Since then the company has marketed over 5 billion blades, leaving the disposal of old ones to the ingenuity of customers.

Still Gets Lion's Share

Here was too sweet a business to be overlooked by rivals. When patent expirations left Gillette without protection, competitors multiplied. The business is now vastly ramified but Gillette still gets the lion's share and is fighting like a lion to keep it. Its latest sales coup is to give the new Gillette razor with Palmolive and Colgate shaving creams and soap. Nominal price of the razor is $1.00; actual price of shaving tube and razor 35 cents. Twenty-seven states bought 10 million of this combination in 3 months. Trouble was encountered with druggists who substituted other brands of shaving soaps or split the combination to sell items separately. This deal is in line with the company's avowed intention to cheapen the razor, even give it away. Profit is in blades; the role of the razor is to create blade demand.

Among Gillette rivals Probak has become a formidable contender because (1) it went into a vigorous advertising campaign when the new Gillette made its debut; (2) its razor will take any blade—old, new, or middle-aged; (3) its officials are intensive merchandisers and have placed their wares in all sorts of stores including stationery shops, filling stations, barber shops; and (4) the Probak blade gives a good shave.

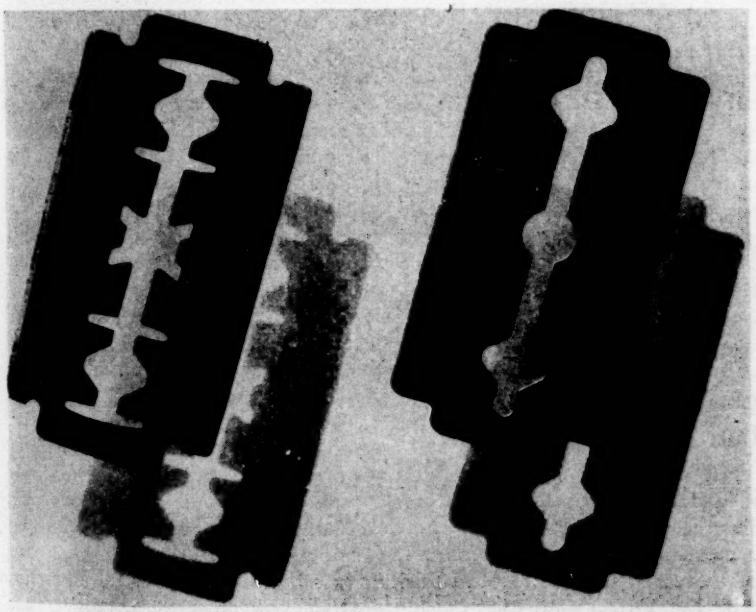
250,000 Retail Outlets

Gillette has a quarter of a million retail outlets in the United States. Many of these now have to carry a drawer full of different razors and blades.

The American Safety Razor Company is considered second in size to Gillette. It makes Gem, Star, and Ever-Ready razors, blades, and accessories.

It contributes its share to the general excitement by announcing this week a new model, the Gem Micromatic, which embodies different principles in both holder and blade construction, sufficiently new to win patent protection.

The maker openly states it was developed to make possible better marketing practices for maker, wholesaler, re-



The Business Week

HOLES THAT MAY MAKE A MERGER

Like Mike and Ike, they look alike. Gillette and Probak can fight out patent rights in the courts, or may decide it better to unite

tailer, and particularly to make sure that all renewal-blade business will accrue to Gem and not to a multitude of other blade manufacturers.

Gem Micromatic razor and five blades are to retail for $1; extensive newspaper and billboard advertising is under way.

Blade is automatically locked into position, held rigid at five points and can be easily adjusted to suit requirements. More shaves per blade are promised, and users of old style Gem razors can try the new blade in the old frame. Frame and 5 blades are packed in attractive boxes and a money-back guarantee goes with each package.

Schick, with its blade magazine, is a good razor and got off to a whirlwind start. Complicated mechanism is blamed for a decline. Durham Duplex, Rolls, Dunhill, and many others have violent partisans. There are hundreds of makers of the old-style blade.

General superiority of foreign razor steels has given an opening to blade makers in England, Sweden, Germany, Switzerland. (Gillette blades are made from special Swedish steel. The Gillette company is a heavy stockholder in a Swedish concern which has mine and smelting properties larger than the state of Rhode Island).

A Swiss concern manufacturing the Le Coutre blade has hooked up with the Twinplex stropper company. Twinplex was temporarily embarrassed by the new Gillette blade which would not fit its machines. But the stropper has undergone a swift change and will now accept old or new style blades; a special trade-in offer gives one a new Twinplex for his old stropper and $1.

International News

SIR HARRY DUNCAN MCGOWAN

The director of General Motors in England arrives on the Majestic

Canada's Emergency Tariff To Be Selective, Not Horizontal

Special Correspondence
Ottawa

Canadian Parliament has been called in special session to pass emergency measures for the relief of unemployment. One of these measures will be a temporary tariff adjustment.

Immediately after the general election July 28, a horizontal percentage increase was contemplated. This plan has been modified. The new government has concluded it would not be entirely feasible. An increase throughout the tariff would handicap rather than assist those industries which import their raw materials. It would also increase consumer prices on commodities which cannot be produced in Canada.

It is now proposed to make a more limited and selective adjustment. Increased rates will be given industries most in need of them and most likely to expand readily. The textile industries will be among the first. They were struck a severe blow by increases in the British preference a few years ago. Dozens of plants are idle; most of the others are operating part time.

The tariff revision to be made at this special session will be temporary, to serve until the first regular session.

The government plans to protect the consumer from exploitation of the increases. Manufacturers attempting such exploitation will be disciplined. The majority of manufacturers will cooperate. A number already have assured the government that if they can get a reasonable share of the home market, they will lower prices rather than raise them, reducing production costs through larger output.

One of the first acts of the Bennett government was to abolish the old advisory tariff board. It had been called a political institution, a "toll-gate" between the governmental party and interests seeking tariff concessions. It is to be replaced by a tariff commission with functions defined by statute.

Dumping of United States fruits and vegetables into Canada at distress prices has been stopped by ministerial action. Values for duty have been fixed on a list of ten of these commodities.

This action is directly at variance with the policy of the former government, which rejected repeated appeals from the fruit and vegetable growers for protection.

Sugar Group Considers Cuban Stabilization Plan

THE first concrete effort to lift sugar out of its slump awaits the success of the Chadbourne group of bankers and sugar men in forging a workable plan out of the proposal made to them this week by Dr. Viriato Gutierrez, Cuban senator and former president of the now defunct Cuban Cooperative Export Agency. But it may be blocked at the start by the opposition already voiced by domestic cane and beet producers.

The Gutierrez proposal, accepted as a basis for discussion, suggested:

That Cuban sugar exports to the United States be held down to 2,800,000 long tons during 1931; be increased in 1932 and 1933 by just enough to take care of consumption gains recorded during each preceding 12 months; be raised in 1934 and 1935 to supply only half the new sugar demand shown for each preceding year;

That American beet growers and cane planters in Louisiana, Porto Rico, Hawaii and the Philippine Islands maintain their production at the 1930 level during 1931, 1932 and 1933; increase it in 1934 and 1935 to cover the other half of the consumption increase of each preceding 12 months.

Thus Cuba would get the full benefit of consumption gains in the next 2 years and split those of the following 2 with producers in the United States and its insular possessions.

The plan in its present form appears not greatly different from the limitation programs of other commodities, and does not prevent increased production in other districts of the world. However, further international conferences and arrangements will be sought.

More Gas Stations Will Sell Tires—Also Gum, Candy, Smokes

FOLLOWING closely upon its announcement of a complete tire sales and repair service at its various retail gas and oil stations (*The Business Week*, July 30) Standard Oil Co. of New Jersey adds a full line of automobile lamp bulbs (Westinghouse Mazda), thus further extending maintenance service for motorists—increasing sales volume through already existing facilities.

Tire sales are reported better than expected by certain operators of centrally-located stations, who have had a stock for ten days or two weeks. In outlying districts and at stations along main highways, less interest is manifested. Lower prices advertised by mail order houses, installment concerns, chain supply houses, are affecting sales at present, but the company's policy to build neighborhood business in thickly populated sections is expected to result in satisfactory sales volume.

Stations of Imperial Oil Co. Ltd., Humble Oil & Refining Co. and Standard Oil Co. of Louisiana, all subsidiaries of the New Jersey company, are also being equipped for tire sales and service. The Louisiana Co. expects to market tires also to its 4,000 independent dealers. It is preparing to install automatic vending machines for cigarettes, chewing gum, candy, and eventually may market storage batteries and other accessories.

While this new competition in the service and accessories field will probably eliminate some of the badly-kept, poorly-managed stations, it is also expected to improve materially the general type and management methods of the others.

Independents Spruce Up

Independently owned stations are being cleaned up and overhauled, their owners trying to adopt improved merchandising methods. In some cases attendants duplicate the routine of the well-trained operators of producer-owned stations, clean windshields, fill radiators, check oil.

Vacuum Oil Co., uncertain of the outcome of its proposed merger with Standard Oil Co. of New York, extends its distribution facilities by the acquisition of White Star Refining Co. of Detroit.

Vacuum Oil long has had world-wide distribution for its chief products—Gargoyle and Mobiloil lubricants—but only within recent years has it attempted to develop its own retail outlets. Through its wholly-owned subsidiary, Vacuum Investing Corp., it has substantial stock ownership in many filling station chains located in Pennsylvania, Ohio, Illinois, Missouri, Wisconsin, Iowa.

Purchase of White Star brings to Vacuum refineries in Illinois and Michigan (11,000 barrel daily capacity) 400 owned service stations in Michigan; some 900 others in Michigan, Illinois, Indiana, Missouri and Ontario, Canada, for which White Star supplies oil and gasoline under lease. White Star was one of the first oil and gas distributors to sell tires, batteries, accessories under its own brand at all service stations. Whether Vacuum will distribute White Star automotive products throughout its system is still undecided; meanwhile White Star operations are to continue as before.

Pacific & Atlantic

ALFRED I. DUPONT

The Delaware philanthropist couldn't wait for the state to do it, so he maintains over 1,100 old-age pensions at his own expense. Here he attends a recent reunion of his old employees

Continental Oil to Use Barges Instead of Pipes

ANTICIPATED early completion of the Federal barge line up the Missouri River has led Continental Oil Co. to build a 100-acre refining plant at Kansas City instead of extending its pipe lines from the mid-continent district to the Great Lakes region. The company will provide its own tank barges but will have them hauled by tow boats of the Federal barge line. By this means gasoline and other products from the refinery can be distributed economically throughout the Mississippi Valley and can be sent to New Orleans for the export trade. There is considerable speculation whether this is the forerunner of similar moves by other oil companies which will tend to decrease pipe line influence in oil distribution.

Railroads Asked to Lower Coal Rates in Gas Fight

VIEWING with apprehension the snake-like advance of natural gas pipe lines from the Southwest to Minneapolis, St. Paul and other cities in the Northwest, the Northwest Retail Coal Dealers' Association has begun efforts to have the railroads reduce rates on coal in territory where gas may be a competitor.

Letters have been sent to executives of railroads serving the Northwest coal trade suggesting a conference "to devise ways and means of protecting the coal industry from the encroachments of natural gas."

Railroads Consider Advertising Jointly to Win Back Passengers

JOINT advertising by railroads in which the train will be "sold" to the public as a means of speedy, comfortable, safe transportation is being actively discussed by rail executives of both eastern and western roads. "Institutional" advertising to promote rail travel, to which all lines will contribute and which will supplement, not supplant, their own individual and competitive advertising, is expected to eventuate from the program now under consideration.

Advocates of the plan point out that the motor bus, airplane and private automobile have been in the limelight as transportation mediums during recent years; that the train has been taken for granted and its advantages have not been exploited. Dwindling passenger revenues are causing rail executives to question the value of concentrating on purely competitive advertising; are emphasizing the need for standing together to defend the industry as a whole from outside competition.

Railroad advertising men, looking over the transportation field, say that transatlantic steamship companies and motor bus operators found that joint "institutional" promotion brought results not achieved by their former strictly competitive efforts.

The plan now being considered by rail executives comprehends: (1) a joint advertising program in which full pages will be taken in the periodical and daily press to "sell" the train as a medium of transportation; (2) grouping of individual advertisements on following pages so that the volume of combined space will be great enough to attract unusual attention.

Railroads Cut Fares But So Do Bus Lines

PRICE-CUTTING is the latest weapon to be used by the railroads in their fight with the bus lines for passenger traffic.

A reduction in the round trip rate between St. Louis and Memphis from $22.38 to $5 was recently made by both the St. Louis–San Francisco Railway and the Illinois Central. Bus companies promptly cut rates to the same level.

The Burlington, Rock Island, Union Pacific and Santa Fe have reduced the one-way fare from Kansas City to Denver to $13.50 from $22.76. Denver & Rio Grande Western has announced that it "expects to be in the game" soon. S. R. Drury, general passenger agent for Burlington, asserts the new rates are "an experiment to determine whether the public really prefers bus travel" or patronizes buses merely as a matter of economy.

Chicago & Alton plans a fare cut between Chicago and St. Louis from $10 to $5 (one way) to meet present bus rates. A recent survey showed that the 8 bus companies operating on the route were carrying more passengers than the 4 railroads.

Van Sweringen Roads To Standardize Equipment

CENTRALIZING of all supply and equipment purchases for the Van Sweringen railroads is reported as likely to result from appointment, this week, of a special committee of efficiency engineers to supervise buying and improvements on the entire network of lines.

Roads affected are Chesapeake & Ohio, Erie, Nickel Plate, Pere Marquette, Hocking Valley, Missouri Pacific. Each road is represented on the committee, of which A. J. Patterson, formerly signal engineer for the Chesapeake & Ohio, is secretary.

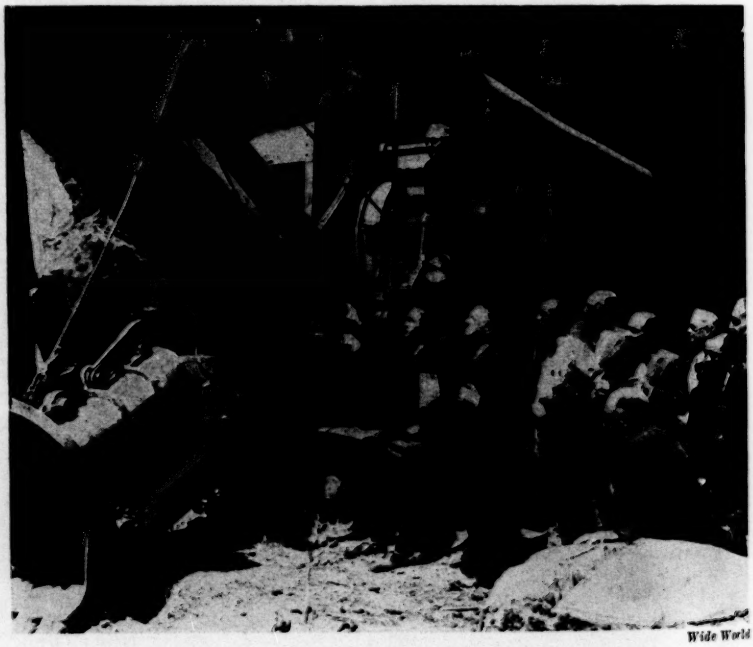
The group, it is understood, will give first attention to standardization of rails, roadbed, trestles, locomotives, bridges, rolling stock, safety devices and traffic control improvements. Savings from standardization and coordinated buying are expected to be large.

To Build Test Road On Steel Foundation

A NEW idea in road construction which may develop a vast new market for steel is being tried out in Sangamon County, Illinois, in the form of a highway with a steel foundation.

The road will have a carefully prepared and rolled sub-grade upon which a base and curb of high-chromium, corrosion-resisting steel will be laid. Then will follow a mastic sand cushion upon which a layer of bricks with asphaltic filler will be placed.

This is entirely an experimental effort, being conducted with the aid of the American Highway Educational Bureau and the National Paving Brick Manufacturers' Association. Various types and shapes of steel will be tested.



Wide World

TRAINS WILL BE HERE SOON

Construction begins on the connecting link between Great Northern and Western Pacific. President H. M. Adams of the Western Pacific takes the first shovel full

Wide World

BUILDING THE BIGGEST

Testing the first gas unit in the ZRS-4. The world's largest airship is under construction in the great shed at Akron. Goodyear-Zeppelin is building it for the Navy

Aviation Sets a Speed Record For the Merger Movement

MERGER of the New York, Rio and Buenos Aires Lines with Pan American Airways, forming the largest air transport line in the world, marks another step in the progressive unification of American air lines. This step makes the United States dominant in the South and Central America territory, forms a complete loop of the outward boundary of South America as far south as Santiago and Buenos Aires, and links those two cities with all other principal centers of Latin American commerce, and with Miami, in an air-line system for transportation of both passengers and mail. The 32 planes of the combined companies fly 100,000 miles weekly.

Aviation leaders point out that mergers in the air transport field are continuing despite a business situation not usually conducive to such activities. The Watres Act has offered an extra stimulus and, for once, the government is actually encouraging combination. Already there is a greater measure of concentration of control in air transport than has ever before existed in any widespread American transportation service. Three companies now control two-thirds of the total domestic transportation of mail and passengers.

The same merger trend is to be seen on manufacturing side of aviation. Analysis of the production of the 1,684 airplanes built in the United States in the first 6 months this year (3,381 same period last year) drew from leaders in the industry this week the prediction that, whereas the 10 largest builders are now responsible for 70% of the output, the figure will have increased to 90% within 6 years, so powerful is this trend.

They assert that plane manufacturing is now, in respect to its general internal structure, where the automobile industry was in 1914; that there are many independent companies, some of them serving only a local market, some doing too small a business to maintain proper engineering or sales departments or to carry on adequate advertising campaigns; that for a majority of these the choice, in the long run, must be between merger and elimination.

Soviets Use the Movies To Copy American Methods

SOVIET enterprise is taking advantage of commercial motion picture photography to transport American business and industrial methods to Russia in visual form.

Hundreds of thousands of feet of film are being "shot" in the Northwest in a study of two business organizations. One of the "movies" will show how the J. L. Shiely Co., Inc., of St. Paul, conducts a sand, gravel, crushed stone and railway ballast business from St. Paul to the Pacific coast.

The other cinema depicts detailed operations of various departments of the Great Northern Railroad, whose president, Ralph Budd, is due to reach Seattle Sept. 6 after a 3-month survey of the Russian railways. More than 50,000 feet net of finished film will be in the railroad picture, somewhat less in the other. It is taking six weeks to shoot the Great Northern film, with photographers going all over the system from St. Paul to Seattle and Portland.

As an example of the detail required, one section of this picture shows an official in St. Paul writing an order for a construction job on the coast. The photographer traces the order as it goes through pneumatic tubes to the telegraph operator, shows its receipt at the other end of the wire and follows the detailed movements of officials and employes until the instructions have been carried out in the actual construction task itself.

Minnesota, partly because of the similarity of its climatic and terrain conditions to a large part of Russia, is furnishing much material for Soviet study. Three St. Paul men have already gone to Russia to give instruction in railroading, livestock raising and pig feeding. Eight Russian highway engineers are spending two months in the field with the Minnesota Highway Department studying roadmaking and paving practices, and 5 Russian railroad technicians are making a survey of the Northern Pacific Railroad system.

Fir Waste Becomes Insulating Board

FURTHER utilization of waste wood products is promised by the development of Fir-Tex in which Douglas fir chips and sawdust are made into a semi-rigid, fiber insulating board. The Fir-Tex Insulating Board Co. has erected a $2,500,000 plant at St. Helens, Ore., with a daily capacity of 150,000 square feet of Fir-Tex. The new product is said to have excellent insulating qualities against heat and sound. Board will be made 1 inch thick and 4 feet square. It is produced on machines similar to paper-making equipment.

New Shipping Policy Questions Arise to Vex Administration

But Everybody Is to Hold Everything Until President's Special Commission Reports

THE death of Charles R. Gordon, head of the Merchant Fleet Corporation, has added to the somewhat sinister calm that prevails on the Potomac in delicate matters of governmental shipping policy. The President's commission to investigate and clear up policies in selling certain shipping board vessels and awarding mail contracts under the Merchant Marine Act gives evidences of quietly poking about in the somewhat messy situation, although one member is in Europe.

Important questions have come up involving the crucial issue as to whether Shipping Board vessels and mail contracts should be given to present operators without real competitive bidding; but it is understood that the President has told Chairman O'Connor of the Board and everybody to hold everything till his commission has reported—possibly by December. A dark cloud hangs over the whole situation, and though Congress is not in session, no one wants to precipitate a storm over some of the deals already made, or those pending.

Besides the American Diamond and America-France Lines case (See *The Business Week* June 18), which precipitated the appointment of the President's commission, the latest worry of the Shipping Board is whether the America-Gulf Orient Line should be sold to the present operators, the Tampa Interocean SS Co. of New Orleans or to the Isthmian Line.

Isthmian a Steel Subsidiary

Isthmian is a Steel Corporation subsidiary. President Farrell of Steel, offered $12 a ton, and asked no mail contract. The Tampa Company had bid $11 provided mail contracts amounting to about $400,000 a year for ten years were thrown in. After Farrell's bid they raised their offer to meet it, still with the mail contract string attached.

Gordon and O'Connor are understood to have favored sale to the present operators on their offer without competitive bidding, on the ground that shipping facilities should be retained in local hands at the various ports, while the Isthmian's interests were elsewhere. Moreover, the Steel Corporation's vessels were industrial carriers, although Farrell asserts they are glad to carry anybody's cargo. There is nothing in the law preventing sale of ships to industrial carriers, but they have the serious disqualification of not asking for mail subsidies.

The real issue apparently is not which company the ships are to be sold to, but whether they should be sold without competitive bidding and regardless of bids offered. There is a feeling in and outside Congress that too many sales made have been practically on that basis, and that some have involved favoritism or worse. This is the nut the President's commission has to crack, and what it will find inside remains to be seen. Shipping interests are hopeful it will be nothing serious, and that a definite and clear policy can be laid down so as to remove the uncertainties and clouds that hang over the future administration of the shipping law.

They are increasingly uneasy about the possibility of Congress reopening the whole problem of shipping policy in the short session beginning in December. Several amendments to the shipping law clarifying its intention were left unacted upon when adjournment came; but they probably could not be taken up again without a row. Shipping people hope the President's commission will not confine its work to the America-France and American Diamond case, but will lay down a general policy to ward off Congressional attack.

Use Mechanical Shoes To Measure Carpet's Life

CARPET manufacturers want to know how many footfalls it takes to wear out one of their products. Bureau of Standards scientists will find the answer through an abrasion machine which mounts a carpet on a rotating horizontal disk upon which two vertically-placed wheels shod with leather revolve, simulating the pressing and swerving action of a shoe. Lint is taken off by a vacuum cleaner, and the thickness of the carpet measured after a certain number of revolutions.

LOOKING A GIFT HORSE IN THE EAR

Henry Herberman, president of American Export Line, meets his new Arabian ponies at the pier. From the stables of the King of Egypt, they are the gift of Mohamed Pasha Samy, former minister to this country

Wide World

HENRY P. FLETCHER

He is chairman of the Tariff Commission. His the work to make the tariff more digestible to business. It will take a lot of Fletcherizing

Youngstown Merger Trial Worries Other Steel Makers

THE steel industry is becoming somewhat anxious about the protraction of the Bethlehem–Sheet & Tube merger dispute. Uncertainty regarding future developments dependent on the outcome of the dispute affects the plans of virtually every big steel company with the possible exception of U. S. Steel.

But the case shows no signs of an early termination. The trial goes on with H. G. Dalton, active in the merger plans, testifying that, while he does not think the bonuses paid to President Grace and other Bethlehem officials excessive, he favors altering the bonus plan if the merger goes through; with Cyrus S. Eaton, leader of the merger opponents, telling the court that he first learned of the plans on March 7 and that Mr. Dalton informed him terms had been agreed upon without an appraisal, without the knowledge of Sheet & Tube's directors or executive committee and without any of Eaton's associates knowing of the negotiations.

New Tariff Commission Begins To Take Form; Faces Huge Task

THE reorganized Tariff Commission is beginning to take form and faces a mountain of work. It is not yet possible to determine how far the potentially powerful body will live up to public hopes and party promises. High tariff forebodings were aroused when Henry P. Fletcher was appointed chairman, partly offset when Thomas Walker Page was named as a member. The commission will consist of 6—3 Republicans and 3 Democrats.

The valuation investigation, a long and complicated job, is under way, organized by the present staff. Other tasks immediately ahead include a study of the imports of Venezuelan oil, of fish and marine products entered in foreign bottoms, of the indeterminate use of convict or forced labor in Russia, the handling of a flood of requests under the flexible section of the new tariff law.

Henry P. Fletcher, close friend of the President, has been accused of high tariff leanings, principally because of his connections in Pennsylvania. He has been undersecretary at Havana, Lisbon, Peking, and an Ambassador to Chile, Mexico, Belgium, Italy. As Undersecretary of State he was engaged in economic work which has been stressed as a qualification for his latest assignment. His knowledge of foreign conditions, his diplomatic ability, his reputation abroad, should be highly useful.

Dr. Page is known to have strong leanings toward free trade; has made tariff and taxation a life study. He served on the old Tariff Board under President Wilson, as Virginia Tax Commissioner, and as expert adviser to Congress on tariff matters.

Observers believe that two other appointments to the commission will be Alfred P. Dennis, vice-chairman since 1925, a pronounced opponent of high tariff, and the present chairman, Edgar B. Brossard, Republican, who, it is thought, will be opposed by certain elements in the Senate when confirmation time comes.

Russia Can Block Proof Of Manganese Dumping

THE fight over Russian manganese is under truce until September 9 when representatives of Amtorg Trading Corp. and the Iron & Steel Institute will attempt to refute testimony given last Friday before Customs and Treasury officials by the American Manganese Producers Association.

It now seems unlikely that any action will be taken under the anti-dumping Act of 1921. Deputy Commissioner of Customs J. D. Nevius, points out that, to establish a case of dumping, petitioners must first show that Russian manganese is being sold in this country for less than it is sold in Russia or other export countries; then, if they get that far, must prove that such sale is injuring the domestic industry. The problems involved in complying with the first of these requirements, in view of the lack of diplomatic relations with Russia, are so great that little hope is seen for success.

There are rumors abroad that the manganese industry is going to ally itself with coal, pulpwood, lumber and other interests opposed to Soviet imports in a joint drive to bar Russian imports from the American market.

An interesting sidelight on domestic production is offered in 1928 customs statistics—the latest available. Manganese duties totaled slightly over $6 millions in that year, while total U. S. manganese output was about 47,000 tons, valued at $1,200,000. Thus, for every ton of native ore produced, valued at about $26, manganese users—and the public ultimately—paid $129 in customs duties on imported ores.

Electric Utility Revenues Ahead for First 6 Months

DESPITE a decline in a majority of industries for the first 6 months this year compared with the same period in 1929, electric light and power companies report an increase in revenues each month over the corresponding month of last year. For the half-year the increase was 3.9%; the 1930 revenue reaching $1,079,900,000 against $1,038,900,000 for the first half of 1929.

There are signs that revenue is approaching the estimated normal which has been worked out by *Electrical World* on the basis of growth during the past 5 years. Thus far this year it has been below it; last year's figures were above it from April to November, the maximum excess occurring in July.

All This Talk of Depression Doesn't Depress The Immigrant

TALK of a business depression in the United States doesn't mean a thing to the immigrants. America is still the land of opportunity as far as they are concerned.

New quotas that became effective July 1, 1929, changed the complexion of the stream of immigrants but did not alter their desire to come here. Germany had its quota reduced from 51,227 to 25,957; Great Britain and Northern Ireland, had theirs increased from 37,007 to 65,721; there has been no change in the number of British and German applicants desiring admission to this country.

One reason why the business condition in the United States does not have much effect on the prospective immigrant is that, however bad things may be over here, they are much worse in other countries. Furthermore, an immediate job is not an absolute necessity to the immigrants admitted under the precautionary measures taken by the State and Labor Departments, by which we demand advance assurance that the applicant for admission will not become a public charge.

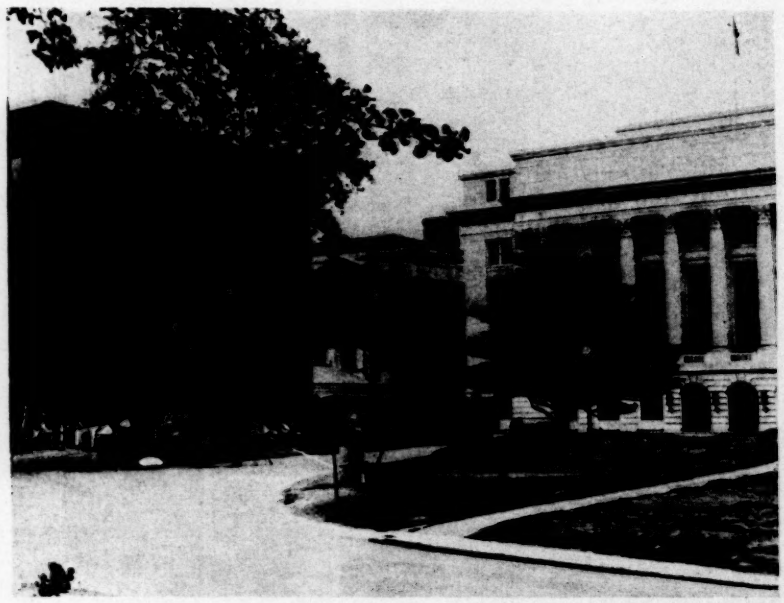
Waiting lists are kept by the consular offices on which some of the applicants will have to wait 50 years before they can expect to receive consideration. In one typical southeastern European country there is a waiting list of over 15,000 despite the fact that the quota is only 295 under the new act.

No quota limitations are applied to the Republics of Central and South America and to the Dominion of Canada.

During the last 5 fiscal years the average annual rate of Mexican immigration has been 56,747. Answering protests from labor leaders and others, the United States authorities began this year stricter, enforcement of existing laws relating to Mexican immigration—laws covering such subjects as the literacy and industrial aptitude of the prospective immigrant. As a result, Mexican immigration has been cut to 3,674 during the first six months of 1930. At this rate, the number of Mexicans who will enter this country during 1930 will be 7,384, 87.1% below the 5-year average.

The alien population of the country, as affected by arrivals and departures, was increased by 173,789 during the fiscal year that ended June 30, 1930. The new quotas cut the number of immigrant arrivals to 241,700, a decrease of over 13% for the year.

Despite the fact that the new quotas have decreased immigration to some extent, further legislation "to save jobs for American workmen" is probable unless the business situation mends considerably before Congress convenes.



Underwood & Underwood

WHY WASHINGTON IS REBUILDING

On the left is the old home of the Department of Agriculture, an eye sore since the Civil War, now being demolished. On the right is the new building, architecturally in keeping with the other new government buildings

French Deny Purchase Of Silver for Coinage

By Special Cable to The Business Week

REPORTS of possible improvement in silver prices through purchases by France in connection with its program of silver coinage are apparently unreliable.

The Bank of France in 1929 sold to the Treasury its stock of silver bullion and old silver coinage valued roughly at $28 millions The present currency law provides for the re-introduction of silver coinage before Dec. 31, 1932. For more than a year the Treasury has been minting silver coins and depositing them in the Bank of France, though none have been issued. Value of these deposits at the first of the year was $8,400,000, is now about $14,800,000; but it is improbable that issue will begin before that total is doubled. It is stated that no new silver is being purchased or required.

—

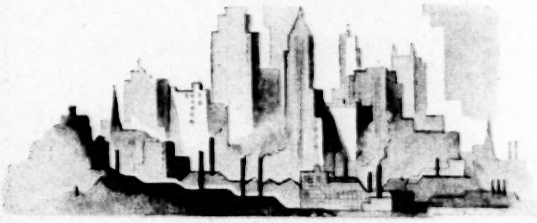
The subcommittee of the United States Senate this week opened in San Francisco its hearings on silver deflation and American trade with the Orient. Later hearings will be held in other Western cities. (*The Business Week*, August 27.)

Gold Movements Feel Influence of World Bank

By Special Cable to The Business Week

THE World Bank has apparently been influencing foreign exchanges—hence, gold movements—in a modest way in recent weeks. While still somewhat secretive as to its policy, the institution is understood to intend using its investments, whenever conveniently possible, to equalize strains. Indications are that it recently bought British Treasury bills against dollars, thus supporting sterling, shifting gold movement to New York.

It is not believed to be purchasing French bonds, even from its franc holdings; making such purchases from other currencies would tend further to accentuate seasonal franc appreciation.



"Take charge of the Middle West next week"

A district manager for an Eastern shoe company was promoted to a bigger job. His salary increased. His surplus for investment increased.

But, his executive duties also increased. Between sales meetings, road trips and office work, he could devote less attention to his own holdings. Formerly he had "shopped around" among different investment houses. Would he save time and trouble by dealing with a single large investment organization?

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INVESTMENT SECURITIES

Home Building Passes Low Point; "Speculative" Projects Needed

Residential Construction, Which Lifted Business Out of 1921 Slump, Shows New Signs of Pick-up

In so far as business recovery depends upon expansion in building, it hinges chiefly on revival of residential construction—that means an expanding market for homes. The rapid rise of public works and utilities construction this year, to the highest levels on record, has not compensated for the lag in residential building. The idea that a building boom and accompanying business revival may be generated by these kinds of construction has been exploded by a fairly definite test this year—perfect in most respects except that some preliminary planning might have put projects in process a bit earlier.

Ended 1921 Slump

It was residential building that lifted business out of the 1921 slump. It is still houses that count. Residential building so far has run 48% behind last year, according to Dodge's figures, nonresidential only 13% behind, public works and utilities 21% *ahead* of 1929.

There are some faint signs of pickup. Residential contracts, measured in terms of index numbers which take account of seasonal fluctuations, have risen in the past few months, slipping back a little in July, but remaining above the low point reached early this year. There is every evidence that residential building has passed the low point. It must be remembered that it has at least two years of steady and rapid decline behind it.

Real estate activity as measured by number of transactions has been declining ever since 1925. Small house building reached its peak in 1925 and has been declining ever since. Residential building of all types for the entire country has been falling since early 1928. After a depression of such duration and severity it is to be expected that the liquidation of residential oversupply will be completed by the end of this year. The National Association of Real Estate Boards says the ratio of supply and demand in single-family and apartment houses is already healthy and normal.

Pacific & Atlantic

For Better Houses

William Stanley Parker, of Boston, appointed by President Hoover to represent the American Institute of Architects at the White House Conference on Home Building and Ownership

Wide World

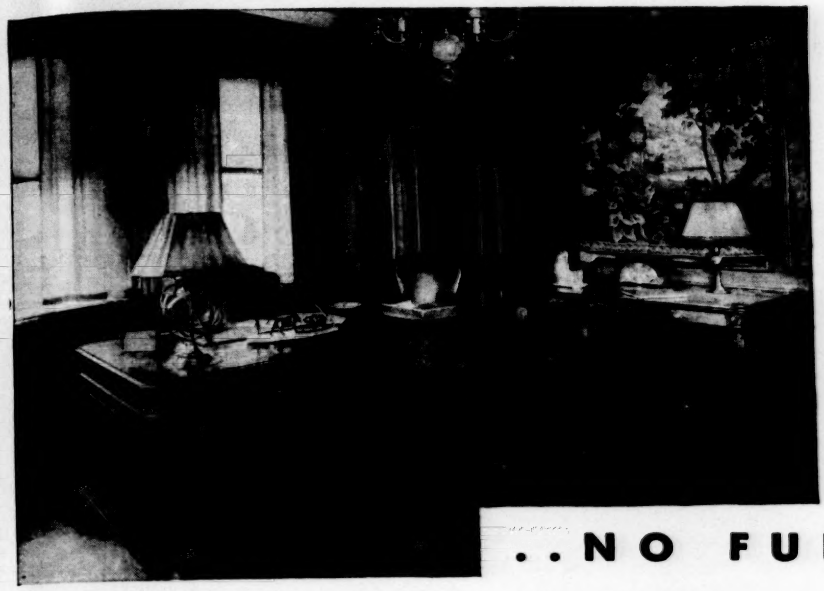
How'd You Like to Change This One?

Goodyear claims it's the biggest in the world; it is 12 feet high, with a 4-foot tread. Now on tour, it will visit 185 cities

Indications are that the revival of residential building will not come through houses erected singly, but through what is loosely and often unjustly called "speculative" building. Expenditures for this type, according to Dodge, have fallen off only 17% between the peak and low point of this building decline; for hotels 33%; for apartments 56%; for large scale house development projects 56%. It is in the last two classes that the depression has been worst, and that the recovery must and probably will come. They include normally about two-thirds of the total investment in residential building.

How Depression Helps

The depression may have resulted in improving the character of financing of building projects and real estate developments, putting them into stronger hands, eliminating the shoestring operators, at least temporarily; but there is no reason to believe that any great expansion of residential building can come without the large scale speculative production of housing for sale or rent in the form of real estate developments or apartment houses. It is into these chan-



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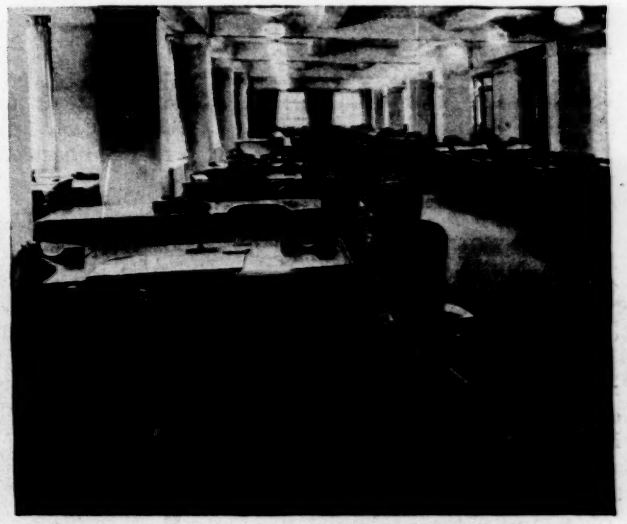

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nels that money flows easiest. Moreover, these types of building lend themselves best to lower-cost large scale production methods and so to a wider market demand.

It is in this field that technological improvements in materials and methods of construction to cut costs are being developed most rapidly. Whether the factory-built and locally assembled single house or the mechanically constructed apartment will win out remains to be seen; in any case, it appears that another boom in residential building must be a matter of large scale production and sale, at lower cost.

Lack of Building Hits Lumber And, Through It, the Northwest

DEPRESSION in the lumber industry is contributing heavily to unsatisfactory business conditions in the Pacific Northwest—and lumber is credited with paying 65% of Washington's total wage bill.

Washington and Oregon are watching Russia with some concern. Soviet lumber, already admitted to the Atlantic seaboard, is taking the place of Pacific Coast output.

Overproduction has been the outstanding ailment of the Pacific Northwest lumber industry. Efforts to reduce output have heretofore met with but partial success. In the last few months, however, curtailment has been forced upon the industry.

Many operators have preferred to run their plants at a loss, for a number of reasons:

1. Desire to keep their operating organizations intact; unwillingness to lay off employees.
2. Need of operating to cover fixed charges.
3. Operating in some instances, represented less loss than allowing machinery and equipment to deteriorate in idleness.
4. Operating to fulfill standing contracts.

Production Lower

Lumber production in Washington and Oregon during the week ending Aug. 2, was 145,079,331 ft. Average weekly production during 1929, 208,358,979 ft.; average weekly production during the last three years, 215,592,059 ft.; capacity of same mills, 301,912,559 ft.

The industry's current output thus is 48% of capacity. Production since Jan. 1 has been 63% of capacity. Curtailment began in earnest in May.

Recent surveys show 50,000 lumber workers in the Pacific Northwest are either unemployed or working part-time. Few employers have resorted to cutting wages, the opinion of the industry being that wage reduction will not stimulate demand for their product or solve current problems.

Sales this year to date have been the lowest in ten years. The one favorable note is that lumber stocks in all markets are unusually low. It is estimated that all lumber at present available will be entirely consumed in two months. Should the industry enforce a complete shutdown for that period, it would find the market practically cleaned out.

Decrease in building construction in the United States, more aggressive competition of wood substitutes, higher tariffs in many foreign countries, increased competition from foreign lumber-producing countries, political disturbances, world-wide depression have cut sales.

During the first six months of 1930, lumber shipments from Washington, Oregon, and British Columbia were 440,000,000 ft. less than in the corresponding period of 1929. Comparative shipments in millions of feet:

	First Six Months		
	1930	*1929*	*Loss*
British Columbia	383	384	0.3%
Washington	1,436	1,719	16.4%
Oregon	586	744	21.2%

The best markets are California, the Atlantic Coast, Japan, China, Australia, and the United Kingdom-Continent. Of these only the United Kingdom-Continent registers an increase. Comparative shipments in millions of feet:

	First Six Months	
	1930	*1929*
California	640	762
Atlantic Coast	804	965
Japan	319	412
China	123	174
Australia	69	116

The future of the industry is uncertain. While some improvement is expected in September, even the most optimistic do not anticipate that normal production will be warranted until next year. While the small duty in the new tariff has given manufacturers some encouragement it is of small benefit under present conditions. Recovery, it is conceded, will be gradual.

During the present period of depres-

Keystone

WHAT, SENATORS IN RUSSIA?

No less. Left to right, they are, Barkley of Kentucky, Bronson Cutting of New Mexico, and Burton K. Wheeler of Montana. They are visiting Moscow with a tourist party

sion, deep sea freights have sunk to the lowest levels in 25 years, again emphasizing the old truism that low water rates do not stimulate business.

Plan Federal-State Roads To Give Most Employment

FEDERAL activities in river and harbor improvements, flood control, and Federal Aid highway projects promise increasing employment during coming months. Presidential action in advancing use of $121 millions of highway funds allocated for 1932, in addition to that left from 1931 appropriations, makes a total of $187 millions of Federal funds available for highway work when matched by the states.

Normally about half of highway expense is labor cost; under present plans this ratio should be higher; making about $200 millions of the Federal-state total of $374 millions available for direct unemployment relief. Some states still have considerable unused portions of 1931 funds to expend; others cannot match the Federal funds without legislative acts; there are many, however, in a position immediately to take advantage of the offer.

For both highway and flood control work, plans are being made whereby local materials can be used in order to provide farmers with work. Such material as gravel, stone, piling, green lumber are available on most farms.

Busiess Men Will Tour Research Laboratories

EARLY in October, the National Research Council will conduct a tour in which 150 leading business men will visit 8 industrial research laboratories. Purpose: "To demonstrate to industrial executives and bankers the importance, value and varied applications of research in industry; to study, by personal observation, the philosophy of operation; to compare the different types of research organizations, problems selected, methods of solving them.

One day each will be spent at the laboratories of American Telephone & Telegraph Co., New York; General Electric Co., Schenectady; General Motors Corp., Detroit; Engineering Division, Air Service, Dayton; American Rolling Mill Co., Middletown; Aluminum Co. of America and Mellon Institute, Pittsburgh; United States Bureau of Standards, and National Canners' Association, Washington.

To him who wants to cut costs there is a way to do it!

STRIP STEEL in coils offers various manufacturers time- and money-saving opportunities because it requires less handling and can be fed into the presses automatically, blanking and drawing performed in one continuous, automatic operation.

This eliminates shearing and handling dozens of small blanks, increases press efficiency and reduces scrap loss.

Several manufacturers have already adopted this method and are saving substantial sums every day, for savings begin with unloading costs and continue with every operation until the finished part comes through with a cost record that is amazingly lower than present methods can possibly permit.

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Farmers' Troubles World-Wide; Artificial Pricing No Remedy

International Conference Agrees Fairly Well on Causes, But Ignores Production Cost Reduction As a Remedy

ABOUT 300 agricultural experts and officials from nearly every country in the world began an inquest on the causes and remedies of farm depression when the International Conference of Agricultural Economists assembled last week at Cornell University. The first meeting of the kind was held in England in 1927. This second one met in what is probably the worst and most extensive agricultural depression since 1921.

The experts were agreed on only one thing: the farm problem is no monopoly of the United States; the woes of the farmer are world-wide; perhaps they can never be remedied without international action.

Two factors of international character fundamental in the situation call for immediate effort toward correction: the growth of barriers to trade and to international population movement; and a falling world price level, affecting agriculture first and worst, and to be met only by international financial cooperation in more effective use and even distribution of gold reserves. There was fairly general agreement upon the unwisdom and uselessness of governmental subsidies or agencies for stabilization of prices by control of surpluses.

Improved marketing systems and more scientific land utilization policies were favored as means of bettering conditions within industrial countries, but were thought of little help in counteracting the broader depressing forces.

"Stabilization" No Cure

The farm economists were a bit vague and contradictory on the question of overproduction. Though all agreed that the disparity between prices of farm products and industrial products was a main cause of farm distress, there was little disposition to consider that efforts merely to raise farm prices, either by artificial price "stabilization" agencies, or by mere curtailment of production, would solve the problem. Even though it were possible, restriction of output to get higher prices, some of the experts thought, would only raise urban living costs and stir up agitation, without permanently cutting down the margin between farm and industrial price levels. Some curtailment might and should be secured by better land settlement policies, which would bring only the best land into use; but this would be a long and slow process requiring national action in shifting the farm population about.

Having brought the discussion to this point, it is curious that little or nothing appears to have been said about production costs. By coincidence, while the experts pondered and disputed every possible cause of agricultural depression, The American Agricultural Chemical Co., in its annual report issued this week, modestly offers this simple thought:

"One reason why we have a serious farm problem today is simply that it costs most farmers too much to grow their crops. . . . Lower unit production costs are the very basis of a permanent solution of the farm problem." High cost, the president, Horace Bowker, says, is primarily due to declining soil fertility. Plant food elements are being taken out of the soil faster than they are being replaced, and there is a net annual plant food deficit in this country of 5,750 million pounds of phosphorus, nitrogen, and potash.

The present annual consumption of fertilizer is about 8 million tons a year, against a total of 360 million crop acres —an average of 40 pounds an acre. Only about a third of American farmers use manufactured fertilizer, yet under average growing and weather conditions every dollar the farmer invests in fertilizer pays back, according to Mr. Bowker, from $3 to $11.

The company is making a cost-of-production survey of the principal crops. The first part of it, dealing with 3,300 wheat farms, is illuminating.

Fertilizer Doubles Yield

Farms using fertilizer yielded on the average 28½ bushels of wheat an acre at a total cost of $19.22. The same land under the same crop conditions without fertilizer yielded 12 bushels (which is about the average in the principal wheat sections) at a cost of $13.73. Using fertilizer, the cost of production was 67 cents a bushel; without fertilizer, the cost was $1.14.

The margin of economy effected alone by the use of fertilizer is 47 cents a bushel. The high-yield farmer operates at a profit, even at present low wheat prices, because of low costs. It is estimated, however, that only one out of three has yields ranking above the average.

This conception of the farm problem

JUST HOW EFFICIENT IS A COW?

The University of California decides to look into the workings of the milk business with these respiration chambers developed by General Electric. Treated water, diet variations, and air cooling will be tested

as one of cost reduction gets back in modern form to the old formula, "manure and management." The new world cartel to restrict nitrate production makes it no longer a purely local problem. The American Agricultural Chemical Co. says nothing about this new factor in the situation, but Mr. Bowker couples his argument with the passing remark that "the basic problem of the fertilizer industry is underconsumption rather than overproduction."

As pointed out in *The Business Week* (August 20, page 13) the United States is not in the world scheme, and American chemical producers do not believe Chilean nitrate can successfully compete with the synthetic product produced here. If they do not stimulate production, higher prices for fertilizer abroad will certainly not stimulate consumption. This may present a possible advantage to American farmers in world competition.

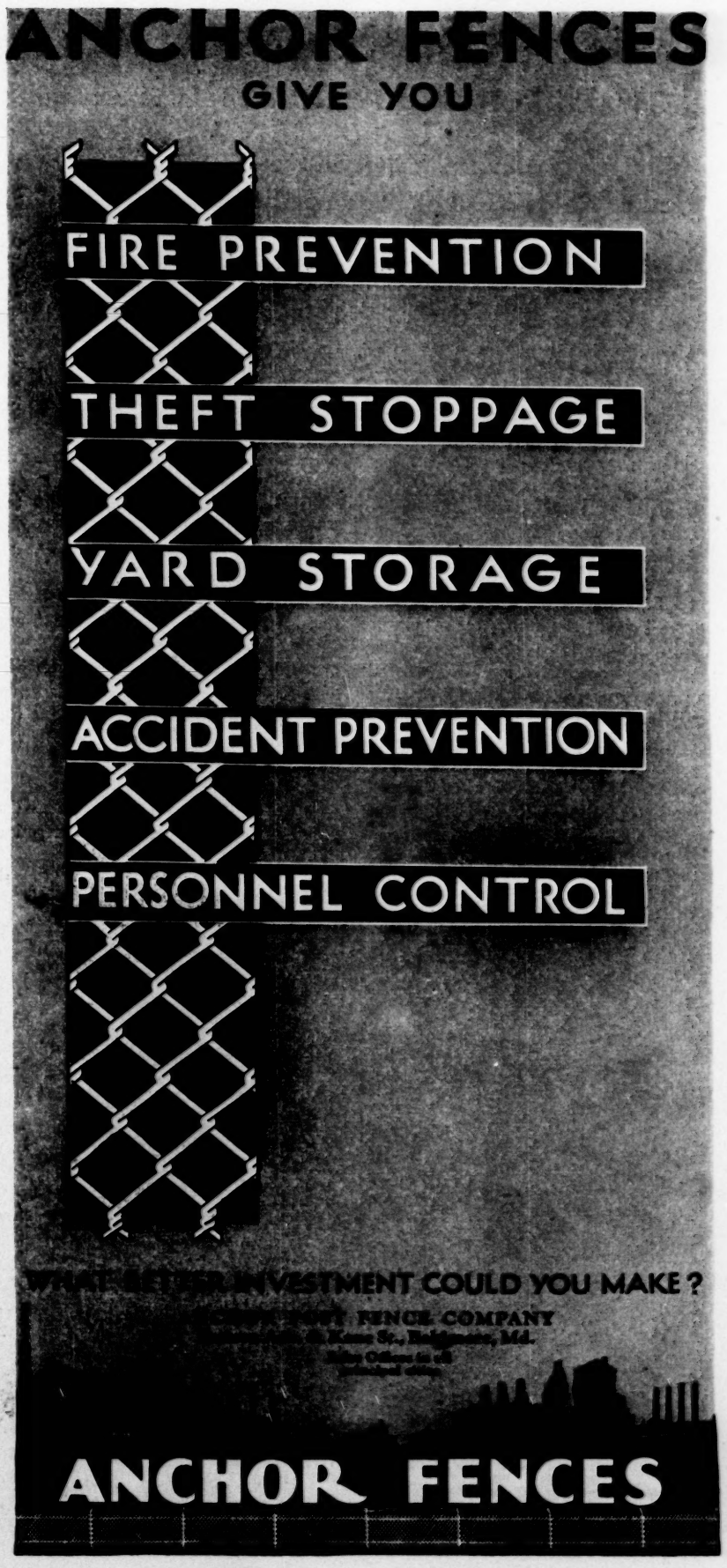
Apply New Beet Growing Plan; Mexicans Leaving

MEXICAN labor, long considered necessary to profitable growing of sugar beets, is gradually being ousted in the beet areas of Minnesota, Iowa, and North Dakota. The American Beet Sugar Co., which contracts for most of the production there, is replacing imported Mexican workers with labor recruited from high schools and universities.

This is considered feasible partly because of a material reduction in the amount of hand labor required under the new system of mechanical cross cultivation. The old way of cultivating sugar beets was to have them in rows running one direction, which necessitated tedious and expensive hand thinning of the plants and hand hoeing of the rows. Under the new system, a cross cultivator is run across the fields at right angles to the sown rows, thus establishing cross rows and doing a large part of the thinning out at the same time. Hand hoeing is also eliminated.

Experts estimate that cross cultivation saves the beet grower about $6 an acre in labor and increases production three to five tons an acre. This year cross cultivation was employed on 12,000 of the 70,000 acres of beets planted in Iowa, Minnesota, and North Dakota.

Total production of beet sugar in the United States last year was about 900,000 tons, compared with domestic consumption of all sugar amounting to 6,000,000 tons.



Desperate England Turns to New Foreign Trade Policies

Labor Party May Push Britain One Step Farther Along Road of State Socialism

By Special Cable to The Business Week

ENGLAND, gripped by fear in the deepest depression since the war, is moving fast toward new foreign trade policies, as the last untried expedient for relief. As described in *The Business Week* the current of protectionist sentiment in many forms is carrying larger and larger sections of British opinion with it, washing away traditional opposition in many groups, and penetrating even such strongholds of free trade orthodoxy as *The Manchester Guardian*.

Since the Press Lords, Rothermere and Beaverbrook, with their vast newspaper chains, sprung their Empire Unity slogan on the public, the Tory Party has been forced gradually to swallow every part of the program of free trade within the Empire, with tariffs on outsiders, except that part involving increased costs of food for British consumers. (England imports only a small part of her food from Empire sources.

Baldwin at first insisted on a referendum on this question, but where he stands now is uncertain. The chambers of commerce, the powerful Federation of British Industries, and a section of the bankers have all fallen in line with the program of imperial unity in one form or another.

The Labor Party remains between the devil and the deep sea, looking toward the Imperial Conference in September to clarify the issue and formulate its policy. The right wing, small and dwindling in influence, stands adamant with the grim Snowden, or flabbily with Lloyd George and the Liberal Party, on the traditional principles of laissez faire. The trade unionists, led by Thomas, have come out for a vague and opportunistic policy of protectionist dickering for advantageous business deals with the dominions. In face of the irreconcilable free-trade view of the right wing, the vacillating protectionism of the trade-unionists, it is the left wing of the party, the younger socialist group, who will probably determine what kind of protectionism England adopts.

This promises to be wholly different from the kind of protection we commonly think of in this country. It will probably be in line with the whole tendency of recent years on the continent and in Russia toward government control of foreign trade as part of the state socialistic control of internal business. It may involve old-fashioned tariffs here and there in special cases, but only incidentally, and as a feature of an elaborate structure of cartels, import boards, governmental monopolies, import licensing machinery, designed to protect the consumer, regulate the key industries, control the flow of raw materials, stabilize prices, foster exports.

Tariff Picture Changed

This sort of thing has developed rapidly in all European countries in the past few years and radically altered the tariff picture as American business men used to know it in their trade dealings with Europe. In Russia it has been carried to its logical conclusion by making foreign trade of every kind a government monopoly subordinated entirely to the purposes of state control of internal industry.

The Coal Bill was the first direct step in this direction, aimed at control and development of coal export trade. The Labor Party has been playing with similar proposals for establishment of import boards to control wheat, wool, cotton, partly as a means of aiding British agriculture and partly to stabilize prices and resuscitate the textile industries. The Liberal Party is not opposed. The Tories, though still wedded to the old-fashioned method of tariffs, are increasingly open-minded.

Step Toward Socialism

If the Labor Party builds its policy along those lines it may carry all groups, or enough, with it, and swing Britain at one step much farther along the road to state socialism than it has already gone. The idea of imperial unity can be worked into this program so as to overcome most of the serious obstacles to the Empire free-trade program (See *The Business Week*, Aug. 20).

But with Britain and the Empire gone in this direction of governmental trade control, along with the whole continent and Russia, the problem of American tariff adjustment and of foreign trade development becomes a nightmare of complexity. It may force us in time to alter the whole philosophy and machinery of our old-fashioned tariff and

International News

MR. MACNIDER GETS HIS PAPERS

Hanford MacNider, minister to Canada, (right) talks with Assistant Secretary of State Castle before conferring with the President. He leaves for Canada soon

trade policies. The Webb-Pomerene Act, permitting combinations for export trade, was only a symptom, a starter, a sporadic response to what was to happen in Europe during the past few years; and it will probably prove a feeble weapon against the new apparatus of protective trade control that is being constructed abroad.

High Tariff Bad Medicine For Australia's Ills

AUSTRALIA is the first and only large nation so far to skirt the edge of bankruptcy in the current depression. The reasons for the critical position of that country, as explained in *The Business Week* (July 30, 1930), are tied up with the world-wide trade stagnation and price decline, but go back of these to older fiscal policies of excessive borrowing coupled with higher protective tariffs, together with social insurance and governmental wage regulation.

The decline in trade and prices cut Australian exports and hence foreign purchasing power and ability to make payments on foreign borrowings. Successively higher tariffs and import restrictions adopted to meet this unbalanced trade situation in the course of the past few years appear only to have impaired Australian exports further by raising internal prices, living costs and wage levels. The last drastic doses of protection in recent months cut customs revenues so that higher taxes were necessary to meet government expenses, with the result that internal living costs and production costs were increased and competitive power in the foreign market further reduced.

Bank of England Prescribes

The Bank of England has had to step in to save Australia from this vicious circle, at least temporarily. Sir Otto Niemeyer, sent there to straighten out the difficulties, has apparently found a way out. Australian liabilities abroad in interest and sinking fund payments which could not be met aggregate $180 millions. The Bank of England will provide credits to meet these payments as they fall due, converting them into long-term loans. But this relief is coupled with a drastic program of economy and retrenchment in governmental expenditures, including official salary cuts. Whether any changes will come in tariff and other trade policies is still uncertain, but it is clear that protection, even in the strongest doses, is not effective medicine for depression.

New Zealand Hits Back At High Canadian Tariff

NEW ZEALAND'S removal of tariff preference upon Canadian motor vehicles, engines and tires may lose Canada $7 millions of annual business to the United States and slow up Canada's progress toward industrialization.

This is the price of increasing the tariff on New Zealand butter from 1 to 4 cents per pound. Since butter represents about 80% of total New Zealand exports to Canada, and Canada takes 20% of total New Zealand butter exports, New Zealand made direct retaliation. Way is left open by New Zealand to restore preference rates to Canada if Canada will reciprocate.

Automotive shipments to New Zealand from Canada will be on nearly the same footing as those from the United States. Because of high production, better equipment, and other factors, production costs in United States factories are usually less than those in branch plants across the Canadian border. It is fully expected that manufacturers who have been supplying the New Zealand market from their Canadian plants now will return this business to the United States.

Hardest hit will be the cities just across border from Detroit. Practically all of the 13,000 cars and trucks sent to New Zealand from Canada during 1929 went from these districts—$6,595,000 worth. Direct from the United States during the same period 7,500 vehicles, valued at $5,900,000, were shipped to New Zealand.

The new schedule gives British automotive manufacturers a better break than they have had; their representatives in New Zealand were influential in having the rates changed by pointing out how preference to cars assembled in Canada, largely from United States materials and capital, was working out unfairly to the British industry. General Motors, Ford, and Chrysler will be most affected by the new rulings.

France Adjusting Itself To Social Insurance Laws

European Bureau
The Business Week

AMERICAN business men who have been listening to discussions of various types of governmental relief for unemployment, old age and similar industrial ills are now watching the reaction of French workers and industrialists to their recently enacted social insurance laws. France has about 140,000 workers on

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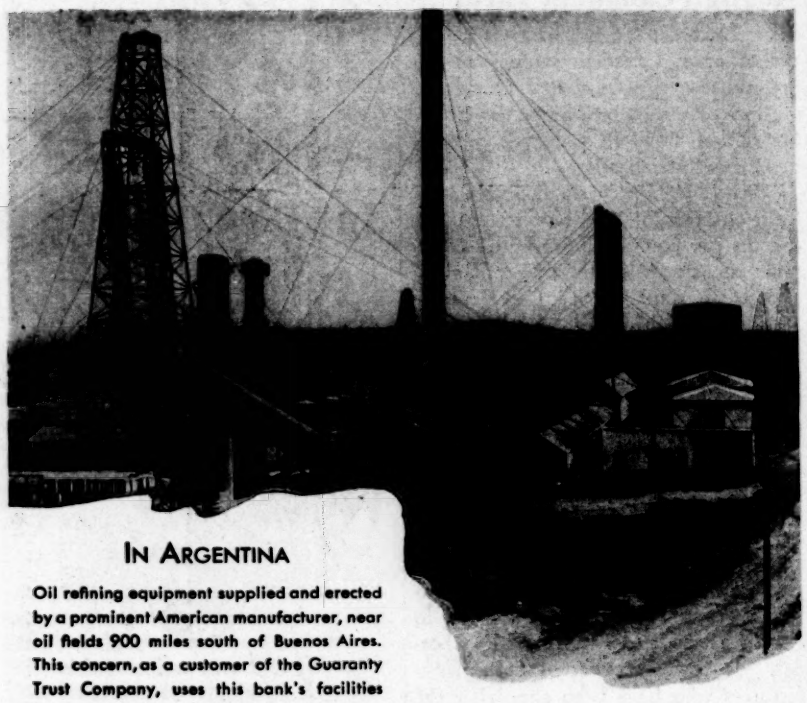

IN ARGENTINA

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LONDON PARIS BRUSSELS LIVERPOOL HAVRE ANTWERP

CAPITAL, SURPLUS AND UNDIVIDED PROFITS MORE THAN $295,000,000

strike, particularly in the Lille-Roubaix-Tourcoing districts, chiefly against the social insurance assessments.

The strikers contend that wages should be increased to correspond with the assessments. Some employers—nearly 100 in Roubaix alone—have now granted increases or are paying workers' assessments; many others refuse.

French newspapers, including not only the Socialist and Radical papers but independents like *Le Petit Parisien* and *L'Intransigeant*, generally support the strikers; *L'Intransigeant* says the recalcitrant attitude of the employers is dictated by pride and not by economic or financial considerations.

Government Confident

The Government continues to place its full support behind the social insurance laws which have more enemies among manufacturers than among workers; sees success ahead in the return to work recently of large numbers of strikers in Roubaix, Rouen, Saint Etienne and Lyons. Critics still maintain the new legislation will raise production cost 25% to 30%. The Minister of Commerce claims the increase should not exceed 5%; that 10% should be the normal maximum.

Conservative manufacturers and some sections of the press are blamed for an undue increase in business pessimism because of the strikes. There are some 8 million workers on the social insurance rolls. Of these only slightly over 100,000 are on strike in 50 localities—a much smaller opposition than was anticipated.

Czechoslovak Shoe Firms Form Export Syndicate

AN export syndicate comprising 36 companies has been formed by Czechoslovak shoe manufacturers and exporters. It will establish a control office in Czechoslovakia; later open offices in the United States and other countries. The home office will determine and control the quality of goods to be exported; the overseas offices will promote sales, furnish market and credit information. The agreement is binding on members only in regard to the quality of goods exported; does not limit amount.

Members of the organization have been cooperating in this way for some time but without formal agreement. Bata, greatest shoe manufacturer and exporter in Czechoslovakia, is not a member.

Swift Survey of Business Abroad

EUROPE

By Special Cable to The Business Week

AFTER a monotonous summer, trade in Europe is beginning to pick up slightly in anticipation of the fall season. It is generally believed, however, that European conditions can improve no more rapidly than general average conditions elsewhere in the world.

September ushers in a series of developments of profound ultimate importance both to Europe and the world. The Imperial Conference in London will probably mark for Great Britain a new departure not only in respect to time-honored free trade policies but in relations with the Dominions. Some believe Britain is unconsciously on the eve of a new era of colonization with colonial industrialization bringing about progressive emigration to the Dominions of Britain excess professional classes, skilled labor, mechanical equipment and capital.

Germany is entering upon the general elections which are expected to widen the internal socialist and conservative political cleavages and possibly to strengthen the already articulate demand which calls for not only further revision of the reparations settlements but for a revision of German frontiers, notably the thorny Danzig corridor.

How vitally such revisions touch upon the present political and economic structure of Europe scarcely needs comment. All the larger countries, especially France, are mobilizing powerful delegations to attend the September session of the League of Nations whereat Briand's proposal for a European federation of nations, the tariff truce, and the problem of operation of the most-favored-nation trade treaty clause are due for debate.

Of more local importance, but with wide potential effect is the Warsaw Conference of Eastern European agricultural countries, "the farmers cartel," which will discuss the possibilities of joint cooperation in the disposal of crop surpluses.

By Special Cable to The Business Week

Great Britain—Somewhat better inquiries but no actual expansion of business marks the approaching close of the vacation months and the opening of the fall season. There is no present probability that the hoped-for improvement will bring more than the customary seasonal pick-up; it can hardly lift basic business from its slump. Easy money continues; the belief is crystallizing that low rates will prevail until the end of the year notwithstanding demands for financing crops and seasonal raw material. These demands will be considerably reduced by lower prices and restricted activity.

Industry is little more than marking time. The London *Economist's* monthly trade review hitherto has offered at least a few encouraging highlights, but it reports uniformly drab conditions at the end of July. In summary, it says that conditions are acutely restricted in cotton textiles, ceramics; severely restricted in coal, iron, steel, engineering; subnormal in electrical equipment, automotive, construction; fair in woolens, linens, rayon, footwear, chemicals; good in none.

July pig iron production was 486,000 tons compared with 672,000 a year ago. Steel production was 621,000 tons; 804,000 in July, 1929. Iron and steel exports were 303,000 tons compared with 376,000 last year. Unemployment now totals 2,051,000 persons or 17% of the total number insured. A year ago only 9.7% of the insured were unemployed.

The Lancashire industrial dispute over the number of looms to be operated per worker continues. Owners are formulating a concrete wage proposal as a basis for negotiations with the workers. The recent decision of the Court of Referees that employees refusing to work 8 looms instead of the usual 4-loom system are entitled to unemployment doles aroused considerable public indignation.

An officer of Bwana Mkubwa has confirmed the report that British Rhodesian copper interests are planning to form a joint company to erect refineries in England and possibly on the continent. This action is being taken to offset the present dependence upon the American Copper Export Association. Plans are still nebulous, however; refinery sites are undetermined although Liverpool is making a strong bid.

Minister for the Dominions J. H. Thomas is understood to be developing for submission to the Imperial Conference a plan for the formation of British import monopolies for each major Dominion's primary product such as wool, wheat, meat, hides. This proposal will constitute the Labor Government's non-tariff alternative to the Conservative's program for Empire preferential tariffs. The proposed import monopolies would undertake to purchase and market total Dominion export surpluses. Foreign products would be admitted only as occasioned and under penalty. Organically this set-up would resemble the Canadian wheat pool. (See page 26).

By Special Cable to The Business Week

Germany—An increased volume of business at more or less forcibly reduced prices, with the added stimulus of the emergency public building programs, characterizes the efforts of the Government to alleviate the economic situation before the country enters a general election Sept. 14 with 3 million unemployed voters.

During the week the Government scored its first victory in its price reduction campaign. The linoleum and cement cartels yielded to official pressure and announced price cuts ranging from 5% to 10%. The linoleum cartel promised further to relinquish control over retail prices thus satisfying one of the chief demands of the Government in regard to the price policies of cartelized industries. Chancellor Bruening is trying to speed up the Federal Economic Council investigations of the possibilities for price reductions in other cartelized trades, notably building materials, fertilizers, coal, lignite and steel.

Just the prospect of these investigations may exercise enough moral pressure to induce cartels to take voluntary action. Similar pressure is being exerted through the emergency public investment programs, particularly those of the Federal Railways and the Postal Department. These aggregate $130 millions and are expected to provide work for 225,000 during the next few months. Orders for materials and equipment are awarded only if the supplying industries make price concessions. As an example of how this works, recent postoffice orders for telephones, trucks and tires were priced 10% below current levels.

Finance Minister Dietrich, in a reassuring statement about the status of Federal finances, avers that the treasury will survive the coming months without particular difficulty. He stated that the entire short term credits contracted during 1929 and 1930 have been repaid. Of the emergency credit of $85 millions arranged through German banks in December, 1929, the last two installments will be repaid during September and October. The total floating Federal debt has been reduced during the current fiscal year by $125 millions.

Though Minister Dietrich foresees a decline in revenues, notably in income taxes and custom duties, he does not expect it to exceed $70 million for which he claims cover can be provided. Meanwhile the program for basic financial reform is being drafted for submission to the Reichstag which reconvocates this month. Business and financial interests are gratified over the reduction of the floating debt but financial experts seriously question Dietrich's pre-election optimism regarding the fiscal prospects for the next few months. They observe that the appropriation for the Government subsidized unemployment funds will be exhausted in October. When the drain of the unemployment dole is resumed it probably will be not less than $12 millions monthly for the remaining half of the fiscal year.

Official August crop estimates turned down sharply. Wheat is estimated at 3.5 million tons, identical with a year ago; rye at 8.0 million tons, down 8% from 1929; oats at 5.5 million, down 2.6%; barley at 2.7 million, down 1.8%. The shorter rye crop is more than offset by the carryover from last year's bumper crop; this excess, in turn, partly offsets the decline in fodder grains to an extent which makes the general cereal supplies better balanced than usual.

The trend of business indicators comprising production, sales and prices continues downward. On the other hand, a survey made by the Trade Research Bureau discloses a surprisingly small contraction in retail sales, at least during the first half of 1930 when it was down only 8% below 1929. Half of this decline is attributed to lower volume, half to lower prices while stocks on dealers shelves are encouragingly low. It is interesting to learn that while department store sales were down 3.2% sales of unit price stores actually increased 1.5% over last year, suggesting there is greater inherent resistance against depression in these forms of merchandising.

General Motors-Opel announces that it is going to increase light truck production 40% and passenger car production 20%. Some 7,000 workers are now employed and officials denied rumors that dismissals were pending. This announcement is in striking contrast to the general depression and particularly to the curtailed activities of other German automobile makers.

By Special Cable to The Business Week

France—Business is slow and uneventful. Strikes in the Northern districts enter the fourth week. The center shifts from Lille, where the intervention of the Minister of Labor secured a temporary compromise, to the Roubaix-Tourcoing textile districts where 100,000 workers are still out. However, the unrest is thought to be localized.

Business and finance have suddenly taken cognizance of the incipient currency and price inflation as a consequence of the gold influx. It has become a major topic of discussion. Since the beginning of the year, gold reserve has gained $181,000,000. It now totals $187,800,000. Note circulation increased $145,000,000 to $290,700,000. French price levels, after declining slightly in the first 6 months, have again been rising since June, whereas world levels have sunk steadily during the corresponding period.

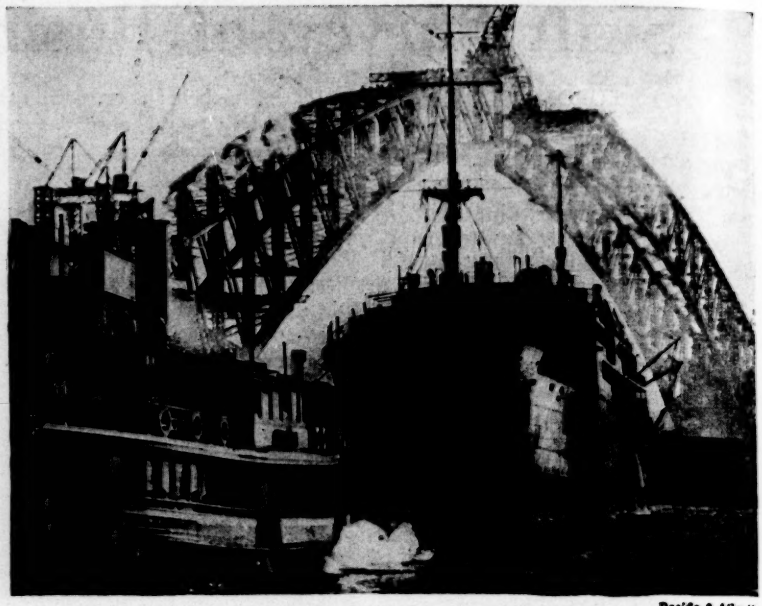
Various preventatives of inflation are now suggested. Since inflation is fundamentally the result of capital becoming available more rapidly than it can be absorbed and, more particularly, is due to the exceptionally favorable balance of French foreign payments, the obvious remedy is to stimulate foreign investments and counteracting exports of capital. April taxes on foreign securities were reduced for this purpose.

However, French officialdom, is unable to escape the temptation to play politics when pursuing economic ends. As a result, the admission of foreign shares to Paris quotation and the placing of loans abroad—both considered desirable but both subject to war-born bureaucratic control—are scrutinized for political advantage and progress is slow.

French investors since 1914 have suffered a succession of losses—beginning with the dead loss of the pre-war Russian Imperial bonds; followed by a series of exchange losses due to post-war currency deflations in Eastern Europe and the Near East; climaxed by the severe singeing many took in the Wall Street crash last fall. They are now distinctly hesitant to resume that exportation of capital which, prior to the War, was a French characteristic and which then maintained balances against inflation under circumstances analogous to those now prevailing.

Among the domestic remedies which are suggested and being discussed in French business dailies are the restoration of gold coin circulation; the flotation of a treasury note issue whereby capital excesses can be tied down; reduction of the bank rate to 2% and even 1½%. Each of these suggestions not only meets objections and none would have more than secondary effect. Present prospects are for one further price appreciation which will partly absorb excess capital through depreciating its purchasing power, possibly involve a far-reaching readjustment of values.

On November 1, French Eastern Railways will call for redemption at



Pacific & Atlantic

Sydney Harbor, Australia

In the background is the great Harbor Bridge, the arch of which has just been closed. It connects Sydney with its suburbs. Only the Kill von Kull span from Staten Island to New Jersey is longer

105 the outstanding $19,440,000 balance of the United States 1925, 7%, $20-million loan. This is the first operation under the recent law enabling the French Treasury to loan to local companies its excess foreign deposits and which will permit extensive redemptions of foreign loans.

By Special Cable to The Business Week

Belgium—Restricted industrial activity is, at least, showing no further retrogression. Announcement that the Fourcault glass combine is definitely realized gives a note of optimism to this industry although stocks remain heavy despite continued restriction of production to 30% of capacity. Negotiations for the extension of the combine to other countries are considered probable to secure limitation—if not reduction—of the phenomenal growth of Europe's glass-producing capacity since the War.

The demand for industrial coal is only half normal but so far the sales comptoir has been able to maintain prices. The metallurgical situation is weak; there have been further price reductions in bars and sheets. It is significant, however, that plants are unwilling to accept important advance orders, thus indicating that they expect improved conditions soon.

The local automobile industry has been severely curtailed, although sales of American cars up to June were generally satisfactory. The industry is asking that customs revenues from foreign cars be diverted to a fund to subsidize the industry. The Government opposes changing the duties or extending further artificial aid to the industry. A strike in the Minerva Works, begun August 4, was ended August 18.

Fiscal authorities are not a little worried over budget balancing as receipts for the first 6 months fell 12% below the previous year and leave a 15% deficit on estimates for the period. Possibility for a loan in early 1931 has been under unofficial discussion. The present budget period is an exceptional one of 22 months' duration ending in October, 1931.

By Special Cable to The Business Week

Italy—Business is experiencing the usual midsummer stagnation and idleness. The stock exchange has not recovered from the shock occasioned by the collapse of Boniface Ferraresi, one of the oldest and largest of the land reclamation companies. The collapse is attributed to swollen real estate investments coupled with the managing director's misuse of the company's credit. Following the crash the average decline of 24 representative stocks was 9%.

Foreign trade continues to improve; the deficit, normally about $100 millions, was, through July, 40% below 1929. Since further grain imports are unlikely during the next 5 months, the invisible foreign trade items should easily cover the adverse balance of the year and even provide a surplus to meet the larger foodstuffs imports which are foreseen as a consequence of poor current crops.

A rumor is current that Mussolini has appointed a committee to study the possibility of eventual devaluation of the lira. Although the consensus of economist opinion is that the lira is now stabilized at an overvalued level this rumor is not credited at present.

The Vatican is to resume coinage of Papal metallic currency after a 60 year interval. This arrangement follows a 10-year agreement with the Federal Government which is subject to mutual 6 months' notice for abrogation.

LATIN AMERICA

Brazil—A drop in the exchange value of the Brazilian milrels has caused president Washington Luis to call a conference with the Secretary of Finance and the president of the Banco do Brasil to discuss means of preventing a further decline.

The Companhia Radio Internacionale do Brasil, which is associated with the International Telephone & Telegraph Company, has obtained the right to erect radio stations and carry on telegraphic and radio telephone services from Brazil. The agreement runs for 10 years and is renewable at the end of that time.

Guatemala—The legislative assembly has granted the Swedish Match Company a monopoly on all matches used in the country for 30 years in return for a loan of $2,500,000 at 7%.

Peru—Peruvian exchange reached a new low figure for recent years this week. Banks and business circles are awaiting action of the newly formed Exchange Commission which is seeking a solution of the situation. Meanwhile, Augusto B. Leguia, former dictator of Peru, is virtually a prisoner aboard the cruiser Almirante Grau at the port of Callao. A revolutionary junta now controls the country.

Uruguay—Official figures issued this week reveal a highly favorable trade balance for the first half of 1930. Imports amounted to $44 million; exports to $64 million, leaving a favorable balance of $20 million.

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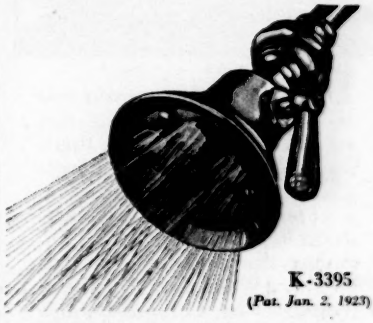

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Census Shows 2,508,151 Jobless But Omits Many Out of Work

RETURNS on the unemployment census, preliminary but including data from all states, now indicate that on April 1, official census date, there were 2,508,151 persons "out of a job, able to work and looking for a job." This figure is close enough to the estimates based on the Census Bureau's first report, released in late June, to dispose of criticisms that this report, covering returns from about a fourth of the population, didn't offer a fair sample of conditions.

However, since the first report was made public things have happened as a result of which it is now generally felt that unemployment information so far made avaliable through the census is far from complete and has considerably less significance than was first accredited to it.

They began to happen with the publication on August 11 of a newspaper statement by Dr. Charles E. Persons, a statistician of repute who had been engaged by the Census Bureau to assist in the unemployment census but had resigned in dissatisfaction with Bureau methods.

Dr. Persons' statement reminded readers that the unemployment figures released covered only those out of a job, able to work and looking for a job, omitting 5 relatively unimportant classes of jobless but also leaving out those who have a job but no employment—are temporarily laid off but believe they have a job waiting for them somewhere, sometime.

Limitation Not Stated

No indication of all this was given in the first official release from the Census Bureau, in the accompanying statement of Secretary of Commerce Lamont or in newspaper comments at the time. The fact that, late in May, Census Director Steuart had specifically directed local supervisors to release figures for the single class had been completely forgotten in late June.

How important the class of temporarily laid-off unemployed may be cannot be estimated; it may be half or twice as large as the class already tabulated. But part-time employment has been extensive this year; furthermore, the human tendency to belittle one's misfortunes—at least in public—may have led a large number of unemployed to claim they had jobs in prospect whether they actually had or not.

The unemployment census has had rough going. An unusually well qualified committee of statistical experts from the American Statistical Association was unable to get many of its recommendations for detail procedure adopted by the Census Bureau. This tended to antagonize a large group best fitted to criticize the census. Possibly to atone for this, an advisory committee was brought together consisting of a few economists and many business men and association representatives.

Hoover Appoints Committee

Last week, in apparent response to widespread criticism of the unemployment census, the President appointed another committee, ostensibly to aid in studies to be undertaken under the Wagner Bill passed this summer, but likely to be employed also in interpreting future unemployment census releases.

Its roster includes such men as Dr. Leo Wolman, National Board of Economic Research; John P. Frey, American Federation of Labor and Arthur O. Wharton of the Railroad Brotherhoods, competent to interpret unemployment data compiled in the census accurately and comprehensively.

Director Steuart has announced that further census figures relating to the other six classes of unemployment and to the working portion of the population will be issued as soon as they become available. Only when they do will it be possible to know the total of unemployed for all reasons and to compare it with the total number of persons gainfully employed instead of with the entire population as has been done currently.

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What the Figures Show

THE indications this week are fairly uniformly clearer that business activity passed its low point at the end of July or early in August, as forecast by *The Business Week* in June, and that a slow process of revival has set in since the middle of August, after being deferred about two weeks by the drought scare. Nearly all indicators show an increase for the latest week. In some cases this increase is small and less than seasonal, but it is clear that the general movement is upward, whereas a year ago it was downward. Industrial production, primary distribution and general trade activity are rising. Building contracting is holding up in face of the usual seasonal decline. Whether the general upward movement, signalled in this week's records, will prove to be more than seasonal it is too early to tell, but the fact that there has been some response to seasonal influences is distinctly encouraging. Although commodity prices continue to show irregularity it is clear that the rapid and general decline of the past year has been halted. Resumption of a high rate of bank credit expansion is a further favorable indication.

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*
	*89.0	†87.2	111.1
Production			
Steel Mill Operation (% capacity)	58	55	89
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$14,593	$13,558	$20,370
Bituminous Coal (daily average, 1,000 tons)	*1,362	†1,307	1,611
Petroleum (daily average, 1,000 bbls.)	2,471	2,464	2,966
Total Electric Power (millions K. W. H.)	*1,835	1,825	1,890
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	154	151	184
Check Payments (outside N. Y. City, millions)	$5,010	$4,688	$6,305
Money in Circulation (daily average, millions)	$4,475	$4,470	$4,778
Wheat Receipts (1,000 bushels)	20,286	24,110	13,635
Cotton Receipts (1,000 bales)	244	137	135
Cattle Receipts (1,000 head)	*151	†169	210
Hog Receipts (1,000 head)	*343	†388	422
Wool Receipts (1,000 lbs.)	4,538	5,559	12,512
Prices (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$0.80	$0.83	$1.22
Cotton (middling, New York, lb.)	$0.112	$0.121	$0.187
Iron and Steel (composite, ton)	$32.88	$33.00	$36.52
Copper (electrolytic, lb.)	$0.107	$0.107	$0.178
All Commodities (Fisher's Index, 1926-100)	82.8	83.8	97.0
Finance			
Total Loans and Discounts, Federal Reserve reporting member banks (millions)	$16,795	$16,857	$16,938
Commercial Loans, Federal Reserve reporting member banks (millions)	$8,480	$8,481	$9,428
Brokers' Loans, New York Federal Reserve member banks (millions)	$3,102	$3,128	$6,217
Federal Reserve System Ratio	81.9	81.9	75.4
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	8,832	10,726	23,688
Stock Prices (N. Y. Times, average 50 stocks)	$196.67	$191.21	$292.53
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$37,878	$36,532	$53,937
Bond Prices (Dow, Jones, average 40 bonds)	$96.68	$96.39	$92.28
Interest Rates—Call Loans (daily average)	2.3%	2.4%	7.0%
Interest Rates—Time Loans (daily average)	2½-2¾%	2½%	8½-9%
Business Failures (Dun, number)	436	441	399

*Preliminary †Revised

Business Index

The Business Week's preliminary index of the volume of general business activity for the week ended August 23 rose further to 89% of normal as compared with the revised figure of 87.2% for the preceding week and 111.1% for the corresponding week last year. The rise reflects increases in nearly all components.

Steel activity reversed its downward trend of the past three weeks and showed a sharp and more than seasonal increase. Although *Iron Age* reports only a slight rise in the general average ingot output, the Dow, Jones estimates on which our index is based show an increase from slightly below 55% of capacity to about 58%. This was due principally to the first impressive increase in output by the Steel Corporation in several months, which brought the rate from around 62% to 66%, in line with the predictions made by the directors at the end of June. Independents showed a somewhat smaller increase from about 49% to nearly 51% of capacity. A year ago steel activity was declining. Our index, adjusted for seasonal fluctuations and year to year growth, rose from 79.7% of normal, the lowest for the year to date, to 84%. Reasons for the increase are obscure, but trade sentiment is more hopeful of continued autumn improvement in steel buying. As the drought scare has faded, tin plate specifications have increased and demand by farm equipment manufacturers has improved. With enlarged road building programs, road machinery demand is better. Business from the oil and gas industry as well as structural steel demand are holding up well, although automotive consumption of steel and railroad buying continue problematical.

A sharp increase in general building contracts awarded during the week ended August 22 has brought the daily average for August to date somewhat above that of July, although it is still below last August. The four weeks daily average upon which our index is based is highest since the end of June and our index, adjusted for seasonal fluctuations and year-to-year growth, rose from 71.6% of normal to 77.6%. This increase is in contrast to the usual downward seasonal tendency in building activity.

The daily average rate of bituminous coal production for the latest week showed a rather sharp increase which brings it to the highest level since the

beginning of June. This increase was more than seasonal and our index, adjusted for seasonal fluctuations and year-to-year growth, rose from 65% of normal to 67.6%.

The daily average rate of petroleum production this week showed the first increase for the past two months.

Electric power production increased somewhat for the week, but the rise was slightly less than the usual seasonal amount, so that our index, adjusted for seasonal fluctuations and year-to-year growth, declined slightly from 98.7% of normal to 98.3%.

Commodity Prices

Commodity prices were distinctly steadier this week. Wheat was an outstanding exception, showing a decline toward the end of the week to the low level for the season. Cotton strengthened rather sharply toward the end of the week under announcement of Farm Board support and improved mill takings for foreign account. Other farm commodities, especially butter, cheese, hogs, cattle were stronger. Silk, rubber, lead, zinc and tin continued firm. Although the copper market is stagnant there is little evidence of further price decline. Iron and steel prices weakened somewhat. The Fisher All Commodity Index for the latest week showed a decline, following the increases in the two preceding weeks, but the National Fertilizer Association Index was practically unchanged. Our daily index of wholesale prices of selected commodities for the week ended August 27 remained fairly steady.

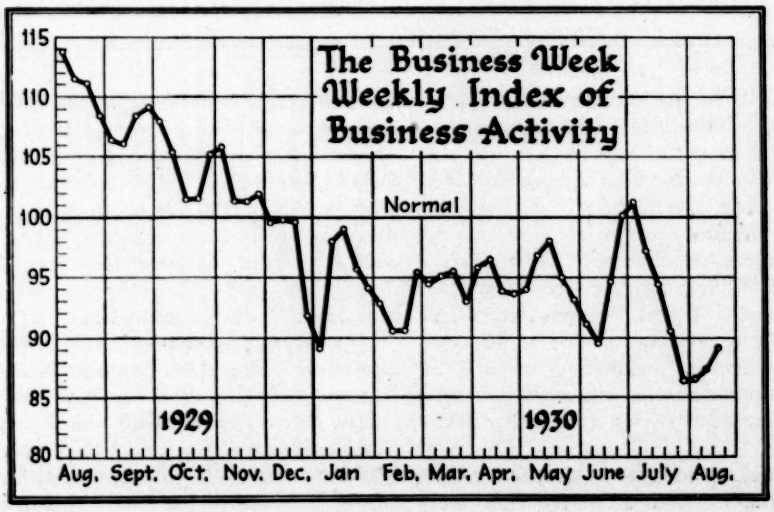
The general trade indicators were uniformly better. Total car-loadings showed the first increase in two months, due principally to increased loadings of miscellaneous freight and of coal. The deficit below last year was reduced to 16.3%. Miscellaneous and merchandise car-loadings showed a more than seasonal increase for the week but were still 15.3% below a year ago and 11.4% below 1928. Our index on this group rose from 82.4% of normal to 83.1%.

Check payments outside New York City, following the usual movement, increased for the week though not to the level of the second preceding week, and remained 20.5% below last year—a somewhat smaller deficit than has been shown since the end of June. Our index based upon this group rose from 95.8% of normal to 96.6%, after adjustment for seasonal fluctuations, year-to-year growth and changes in the general price level. Bank debits in 131 cities outside stock trading centers were more than 5% higher for the week and only 18.8% below the corresponding week last year. Comparison with last year from now on will be strongly affected by the fact that a year ago money turnover was increasing at a rapid rate during the last stages of the stock market boom and subsequent collapse; but our index indicates that general trade outside New York is now not far below normal in volume.

Commercial loans of reporting member banks showed practically no change for the week. The usual seasonal movement is upward at this time, but declining commodity prices make a smaller dollar amount of commercial loans go farther in business transactions. Our index, adjusted for changes in wholesale prices as well as seasonal fluctuations and year to year growth, rose from 103.2% of normal to 104.1%.

The average amount of currency in circulation increased for the week and our index, adjusted for price changes, seasonal fluctuations and year-to-year growth, rose slightly from 100.3% of normal to 100.4%, the highest in five weeks. The gradual rise in our index of currency in circulation during the past two weeks is probably an indication of improvement in retail trade.

The Business Week's weekly index of general business activity, first of its kind, is based on eight series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation of the index see *The Business Week*, May 7, 1930, p. 39.



Commercial Failures

The number of commercial failures declined for the week, following the usual seasonal movement which reaches its low point at the end of August, but the number remains considerably above the level of the past two years.

Total loans and investments of weekly reporting member banks showed the first increase in three weeks. Our index of bank credit, based on these figures, adjusted for seasonal fluctuations, normal growth and changes in the general price level, continue to rise and stands at nearly 6% above normal, the highest so far this year. This is a strong indication that credit expansion is continuing.

The American Federation of Labor says unemployment reports from trade-union members in August foreshadow a fall increase in industrial activity. While the decrease in the percentage unemployed from the 22% figure for July was only 0.3%, the Federation believes even this small improvement is encouraging because it indicates that a turn for the better probably took place early in the month. Most of the reports received are for the first few days of August.

Money and the Market

STOCKS closed the last week of the summer season pointing upward, but with those who follow them expressing very diverse opinions as to what will happen next. The rise from mid-August lows has now lasted 2½ weeks. The market is keeping an attentive eye on business. Such signs as appeared this week were largely for the better.

The stock market now has reached what frequently has been a turning point as Labor Day marks the end of summer and the financial community rapidly returns to work in full force. Because of this, stock price movements will be watched especially closely next week and the week after for relevant indications as to the trend.

Rally Irregular

The rally in stock prices in the last 2½ weeks has been irregularly distributed over the list. Leading industrials have gained about 9%. Utilities are up about 7%, while rails have gained only 2 to 3%. Trading this week has been dull, but no more so than for several weeks recently. It is the tradition of the street that this should be the dullest week of the year.

Among the favorable factors now getting much attention are the 8 which brought this week's rise in *The Business Week's* thermometer, which recorded moderate betterment. Chairman Legge of the Farm Board gave support to what is a growing belief by his statement that net agricultural purchasing power was, after all, little affected by the drought. While grain markets were irregularly downward this week, cotton definitely ended its long decline and pointed upward with evidences of crop deterioration. Livestock prices were irregular.

Railroad earnings statements appearing this week show for July definitely better tone than for June, though the total still records a large decline from last year. The first 54 roads to report showed a gain over June net of 19.2%. The decline from July, 1929, was 32.3%; from July, 1928, it was 11.5%. Fall earnings of Western roads were helped when the I.C.C. postponed from Oct. 1 to Jan. 1 the effective date of its order reducing grain rates.

The increasingly apparent solid position of the stock market, at least within a small range, adds to optimism. A triple bottom for prices has been established as the "averages" have left behind the low of 3 weeks ago. Prices now are in the narrow range within which they fluctuated the last 2 weeks in July and the first in August—until they went out of this range toward the downside with revision of opinion on business due to the drought.

Piling up of evidence of strong holdings of stocks is another show of strength. Brokers' loans continued their decline this week with a drop of $26 millions. These loans now are $1 billion below their latest high—on June 4. Security loans by banks have also declined during the period by about $300 millions. While these figures reveal a considerable shifting of security loans from brokers to banks they show emphatically, too, that marginal holdings of securities have declined sharply in recent weeks.

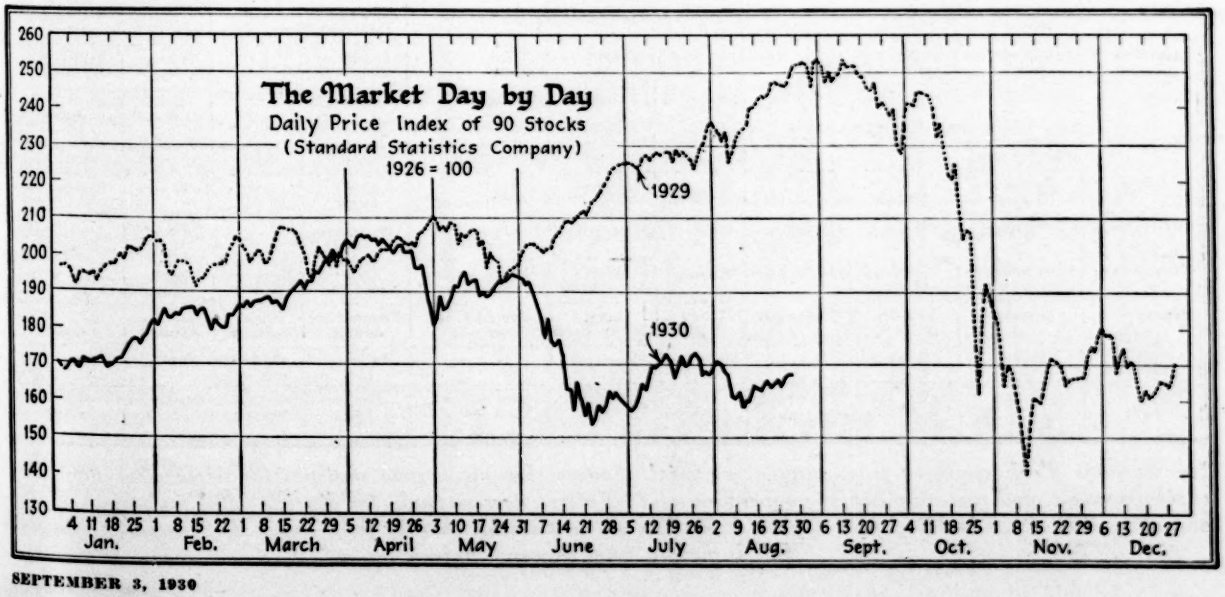
For the money market as well as the stock market, the present time is a turning point and will be watched very carefully. Fall seasonal demand for credit begins or already has begun. Normally this tightens rates. Such tightening would be unwelcome this year. How far the Federal Reserve system will go in preventing such a development is still a question.

Money Is Easier

This week, paradoxically, saw some further easing. Call money got back to 2% and stayed there. Time collateral loans were a bit easier at 2@2¼%. Commercial paper at 3@3½% was easier.

Member bank credit was larger this week, entirely due to an increase in investments. Security loans declined, as noted, and commercial loans were practically unchanged. Investments shot upward by $105 millions, more than twice as much as the decline in the 2 preceding weeks, and to a new high. Federal Reserve credit expanded very slightly as the system again bought bankers' acceptances.

The bond market went into higher ground, but was more irregular than for several weeks, probably largely resulting from the recent decline in member bank investments. The extent of the seasonal increase in demand for commercial money in the next few weeks, and the extent to which this is countered by the Reserve system, naturally will affect the bond market.



Regional Survey of July Trade Shows Declines In All Areas

Favorable Signs Are Rise in Commercial Loans, Considerable Drop in Business Failures

THE sharp business slump shown in July by *The Business Week's* indicator registered a condition existent in every portion of the country. Complete statistical reports now available for each Federal Reserve district show the details. These are presented in the table herewith.

The picture for July is painted with minus signs. Comparisons in all cases are with June, and the figures are without any adjustment for seasonal or other variations. While some seasonal decline normally takes place at this period, the drops recorded are greater than normal.

July was the second consecutive month of considerable drop in retail trade. The dollar volume was lowest for several years in all districts, but comparisons are not fair many months back unless adjustment is made for price changes. The building slump far more than wipes out the encouraging June over May increase of 31%.

Favorable factors appear, though still occupying minor position. Commercial loans made a net gain for the month in 6 districts, and these included New York, Cleveland, Chicago, and San Francisco. The result was a slight increase for the country.

The rise in residential building in the New York, Minneapolis, and Dallas districts is another factor worth noting. The snail-like decline in financing costs may be crossing the border line that makes residential construction possible again.

The Kansas City district was the only one in which check payments rose above the preceding month. This probably is accounted for by heavy grain marketing. Total payments remained below 1929, attesting among other things the lower price of agricultural commodities.

Savings deposit figures are available for only part of the districts, but present evidence of an unchanged total. The vacation season, and an unemployed total of 2 millions offer explanation of the check in what has been a slow but steady gain.

Some evidences have appeared of purchase of stocks at the present low levels with accumulated savings.

The number of employed on the Pacific Coast rose during the month, and the total amount of payrolls did likewise. Average weekly earnings fell considerably, however, attesting shorter working time.

The large decline in commercial failures in 8 of the 12 districts is noteworthy. It is true that many of the weaker businesses already have faded out of the picture, but to see smaller amounts of money tied up in litigation, whatever the cause, will be a relief to business.

Prime commercial loan rates still bear witness to the fact that the 2% call money rates reported in New York do not indicate the charges business is actually paying. The rates quoted, are for best loans in district financial centers. Borrowers not in the most preferred position—and comparatively few are—pay well above these rates.

Survey of July Business by Federal Reserve Districts

Federal Reserve Districts	*General Business*	*Commercial Loans*	*Time Deposits*	*Check Payments*	*Deparment Store Trade*	*Building Contracts*	*Commercial Failures*	*Savings Deposits*	*Life Insurance Sales*	*Prime Commercial Loan Rates*
BOSTON	Decidedly slower	Down 0.5%	Up 2%	Off 8.3%	Large decline	Home off 39%; Total, 14%	Liabilities 38% less		4.4% less	3¾—4% off ¾—1%
NEW YORK	Less active	Increase 0.7%	Fractionally smaller	Decline of 26%	Heavy decrease	Residential up; Total —19.3%	60% drop	½% larger	0.5% less	4—4.5% unchanged
PHILADELPHIA	Slump pronounced	Decline of 2.5%	Up 3.8%	11.7% less	Off 9%	Various classes off 100 to 200%	Down 17.8%		Somewhat larger	Slightly less at 4—5%
CLEVELAND	Smaller recession	0.5% larger	Growth of 2.4%	Recession of 3.8%	Down	Total off 2.3%, Home 15%	Dollar value 57% less	Decline by 1.4%	Off 11.7%	Unchanged at 4—6%
RICHMOND	Activity declines	Very slight increase	1% less	Less by only 0.2%	Large drop	Total —3.5%; Home —18.7%	Liabilities drop 70%		A little less	At 4½—5%, off slightly
ATLANTA	Slower	2.5% less	0.6% drop	Decline of 1.8%	Decline	Total —47%, Home —22%	Down 2½%		Decline of 8.4%	Now 4½—5½; easier
CHICAGO	Slower; loan increase good	Up 1.7%	8.2% larger	Down 9.2%	Considerably less	Total down 45.8%, Home 8%	Increase of 24%	Decrease 0.3%	Smaller by 8.7%	¼% easier at 4—5%
ST LOUIS	Recession	1.1% decline	Up 4.3%	10% less	Recession	Total only ⅓ last month	21.8% larger		Lower	Slightly less at 4—5%
MINNEAPOLIS	Decline	Down 2.7%	Unchanged; below 1929	Decrease 6.4%	Contraction	Home up 8.2%, Total —47%	Subsided by 66%		Off 6.4%	Unchanged at 4—5%
KANSAS CITY	More favorable than elsewhere	Growth of 1%	Up 3.2%	5% larger	Volume drop sharply	Very large recession	Larger by 17%	Increased 0.7%	Same volume	4½—5%; off ½%
DALLAS	Decrease	Increase of 1.4%	Unchanged	Down 3.1%	Level sharply lower	Home +1.3% Total —51%	Tremendous decline	Slight decrease	Very large decrease	5—5½%; easier
SAN FRANCISCO	Slower	Down 0.2%	Off 1.2%	3.4% less	Decrease of 6.5%		Increase 15%	Decline of 0.3%	Decline	Unchanged at 5—6%
UNITED STATES	Slump	Slightly more by 0.2%	2% larger	18% smaller	Smaller	Home —12.9%; Total —63.4%	Decline 58%	Practically Unchanged	Smaller by 1.4%	Slightly easier

The Business Week summary from original material: Federal Reserve system statistics for department store sales, check payments, and reporting banks; cooperation of 10 Federal Reserve banks for districts noted for savings deposits and other indicators; building figures from F. W. Dodge, commercial failures from Dun's, and insurance data from Life Insurance Sales Research Bureau

Wide Reading

SYNTHETIC VS. CHILEAN NITRATE. *Chemical & Metallurgical Engineering*, August. An editorial interpretation of the competitive situation.

WHERE THE AIRPLANE MARKET LIES. E. S. Evans. *Forbes*, August 15. The merchandizing side of the aviation business.

THE TREND OF MULTI-FAMILY HOUSING. Coleman Woodbury. *The Journal of Land & Public Utility Economics*, August. The influence of apartment houses upon urban life.

MAINTENANCE NUMBER. *Power*, August 26. An issue devoted to the theory and practice of power plant maintenance.

RACKETEERS AND ORGANIZED LABOR. Louis Adamic. *Harpers*, September. Inside stuff on how some labor organizations are organized and operate.

FLYING HIGH IN AIR FINANCE. Earl Reeves. *World's Work*, September. Personal glimpses of the men and money behind commercial flying.

EMPIRE STATE BUILDING CONSTRUCTION METHODS. *Engineering News-Record*, August 21. How 85 stories of steel—57,000 tons—are erected in 6 months.

NON-FERROUS METAL INDUSTRY OF SOVIET RUSSIA. V. Karmashov. *Engineering and Mining World*, August. Rapid analysis of mining progress with tables of production. Valuable check on what Russia is accomplishing.

OUR EXPORTS INCREASING. L. I. Parker. *British-Russian Gazette & Trade Outlook* (London), July. Britons ask for debt settlement and permanent trade treaty to expedite Anglo-Russian trade.

THE TURMOIL THAT IS RUBBER. Samuel Crowther. *World's Work*, August. Story of the industry.

BREAKERS AHEAD FOR FASCIST ITALY. Francesco Nitti. *New Republic*, August 20. A former premier, now outcast to Paris, discusses the precarious state of Italian finances.

REPORTS—SURVEYS

CHANGES IN CUSTOMS ADMINISTRATIVE PROVISIONS UNDER THE 1930 TARIFF ACT. Merchants' Association of New York, 15 pp. Convenient reference for exporters.

THE OFFICIAL AVIATION GUIDE. Official Aviation Guide Company, 56 pp., 50 cents. Information, corrected monthly, concerning the passenger, mail, and express air lines of North, Central and South America.

READINGS IN MARKETING PRINCIPLES. Ivan Wright and Charles E. Landon. Prentice-Hall, 797 pp., $4. Carefully chosen articles fully covering the field.

OPERATING RESULTS OF DEPARTMENT AND SPECIALTY STORES IN 1929. Carl N. Schmalz. Harvard University, Bureau of Business Research, 66 pp., $5. Independent department stores are rather more profitable than the so-called chains; specialty stores on a still more favorable basis.

COST FINDING FOR ENGINEERS. Charles Reitell and Clarence Van Sickle. McGraw-Hill, 518 pp., $5. Elementary principles for accurate cost finding in factories.

A memorandum concerning the present opportunity offered to large users of **commercial credit**

Our Research Department recently prepared a memorandum pointing out important developments in the money situation—and indicating the opportunity which commercial paper rates offer to outstanding concerns.

Because of the interest which this paper aroused, we have reprinted its conclusions in a brief memorandum, which we will gladly send without obligation, to any one interested.

The following paragraph, an excerpt of the memorandum, suggests its contents:

> "The corporations that are now coming back into the commercial paper market are taking advantage of the cheapest money available to them. We believe that others will follow. Paper offers them a means of carrying inventories and receivables which may have accumulated in the period of reduced business activity, of improving the rate of return on their invested capital and of retiring high rate preferred stocks. Within a comparatively short time they should be able to fund such short term obligations, thus assuring themselves of low cost funds for an extended period. The recent National Tea, California Packing and Crane Company note issues mark the trend. Right now the opportunity to obtain capital through interest bearing obligations is comparable to that which was available through equity financing a year or so ago. At the same time, a low fixed cost of capital obtained at this time must operate to make junior equities more attractive when the time arrives again for financing of this nature."

If you wish a copy of the memorandum, simply write us a **note . . .**

A. G. Becker & Co.

BONDS, STOCKS, COMMERCIAL PAPER

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100 SOUTH LA SALLE STREET, CHICAGO

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The Dublin Letters

To Mr. George Clark, Treasurer-General Manager of the Dublin Advertising Agency — On a Variety of Things

Office of James W. Dublin
New York
March, 1928

Dear George:

Things are so splendidly under control here that I am anxious to get this letter off to you giving you positive instructions to spend an extra week in Bermuda among the Easter lilies and unforbidden cocktails and whatever else there is to make life pleasant. Or *two* extra weeks for that matter.

I guess I can run the Agency for a spell, seeing I've got my hand in now and am showing a fair amount of executive ability. I am on the job at 8.55 sharp to note who gets in at 9 and I go through the mail faithfully and have got so that I know what it's all about, too.

I have also gleaned the idea in your absence that you must be a busy feller when you're working and I'd say you are a pretty valuable man to our organization. It is a good thing to go away now and then, leaving your job for the boss to handle so that he can find out the weight of your responsibilities by hefting them himself.

Have had two long sessions with Phil Bailey in reference to Doc Emmett and have found out that the new Emmett ethical preparation is just what I said. It's a bellyache bullet. Phil Bailey insists it has merit, but he turns a little red when he makes the assertion. In all his conversations with me Phil is very stubborn. His whole attitude is as flexible as an old man's liver. He won't meet me half-way on any question I bring up and makes broad discussion very difficult. It is understood, however, that neither "Pepticum" nor the new pill will be acceptable to the Dublin Agency. If Phil wishes to make a social pal of the Doc—O.K. But he'll have to entertain out of his own pocket.

The news of my retirement is out. Phil Bailey told Archie Bellamy *in confidence*—and Archie Bellamy came right to me *in confidence* to see if it was true—and Derby Thomas also has got drift of it from somebody and tried to buzz me. Naturally Derb looked anxious and I acted busy and stalled. I think we better have a meeting when you return—you, Archie Bellamy, Phil Bailey, Ben Frost and myself. Make an informal announcement and open the subject for talk. The boys will want to talk and we better let 'em talk, confining the conversation, if possible, to the small confidential circle as mentioned.

Derby Thomas is gunning a new account and I am watching his manoeuvers with considerable amusement and interest. The prospect is Superb Electrical Appliances—Chicago. Derb got in touch with it through a young Yale-mate of his named Davis, who is advertising manager.

Derb has shown sense in the situation without prompting. At least to this extent: he has indicated that he knows better than to solicit with nothing to flash but his personality. He has been cramming for the exam under Art MacKinnon, who has been putting together a beautiful survey of the electrical appliance field.

MacKinnon's research work, by the way, is admirable. Mac's a good man for us—a real find—intelligent vision. Puts interpretative warmth into a statistic, without sacrificing accurate fact.

While this survey was being made Derb and Davis have been firing telegrams back and forth to each other, kicking up a cloud of Western Union dust about nothing definite, but establishing snappy business relations. The survey is in its final typing and Derb hikes off with it on the Century tomorrow.

Of course I do not expect our Mr. Thomas to land this business as much as I would like to get it. But I think it will be valuable experience for him to be chucked into the lion's den and see how good he is at taming the carnivora.

The only other thing I have to report is that we have ceased to function on the Perkins-Thurlow Textile account. I hated to let the business out in view of my very deep regard for Bill Farren. We never made enough out of it to stuff an olive and I didn't mind that. But the account has been so difficult to operate and has been such a thankless job, that I guessed we better let go of it before the wen got any bigger.

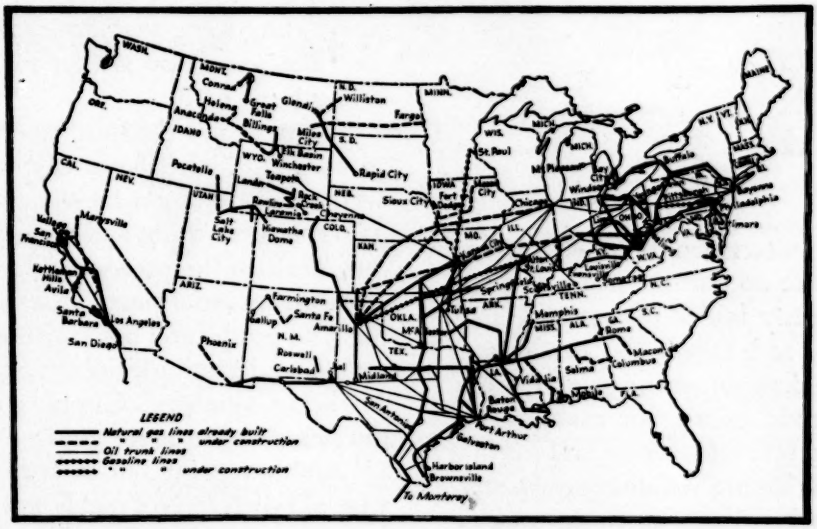
Copy of my letters to Bill Farren is enclosed.

Remember me to Mrs. Clark. I hope both of you have a successful vacation —one you only too well deserve.

Jim.

A Venerable Industry Awakes

Natural Gas Develops Pep – Makes News



Reprinted from *The Business Week*, July 23, 1930

Quickly, in step with the fast moving tempo of present-day business, this lusty rejuvenated industry has made great strides. Its developments are significant, the changes it is bringing about impinge upon all industry. It has already affected the coal, power, oil, steel, engineering, railroad, construction, and other industries.

Ambitious projects to pipe natural gas hundreds of miles over hill and dale, under rivers and over mountains, and into large cities have materialized —others are being pushed.

LETTERS

From a leading manufacturer of oil burners:

"The article 'Natural Gas Finds Its Best Market Among Industrial Customers' is one of the most concise expositions of a responsible authority's conclusions regarding this well-known natural gas situation we have ever seen in print . . . I should appreciate your considering this letter as an order for five thousand reprints . . ."

From a gas expert:

" . . . a very authentic and trustworthy treatment of the part that natural gas is to play in the heating field, and with your consent we would be pleased to reproduce this article.

" . . . I would also like to have the original of the map you used several weeks ago, illustrating the growth of the natural gas business . . . for reproduction in a pamphlet."

—to quote but two of the letters received.

Alert to the significance of these developments, *The Business Week* has gathered, evaluated, and reported the news of natural gas, just as it watches all phases and ramifications of business. *The Business Week* has presented this news from time to time after painstaking investigation, analysis, and interpretation.

It is not the aim of *The Business Week* to be specialized or technically expert—its object is to present dependable and essential facts of all business activity in a crisp, clear, informative style.

THE BUSINESS WEEK

McGraw-Hill Publishing Company, Inc.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

September 3, 1930

In Praise Of Labor

By way of editorial comment on the coming of Labor Day, we take up our old sledge-hammer again, give the rusty boiler of business a resounding thump, and say to the captains of industry and the firemen of finance: "Listen, old stick-in-the-muds, excuse our manners, but how about getting up a little steam and starting the old engine? What are *you* doing for Labor; when are *you* going back to work—money, brains and all?

"From now on this thing is a vacation no longer, for nobody; it's either gradual improvement by perspiration, or it's plain depression, painfully prolonged. What'll you have? Some of you, we know, have put away the putter, picked up the shovel, and pitched into the pile of work to be done. But it will take all hands to keep up enough steam to slide the old tub off the shoals.

"All these fellows, you know, are tired of standing around in the forecastle. They've chewed nearly all their tobacco waiting for the bell to ring. They can work harder, sure enough, when they can work at all; but till then, all they can do about it is to keep on being unemployed, and you'll never move the ship with that kind of crew.

"No use waiting for a fresh fair wind from overseas, from off the Potomac, or down from Detroit or the Great Plains to flap your sails. That sort of thing saved you when you were stranded before, in 1893, 1914, 1921, 1924 and 1927, when a gold rush, a war, a building boom, a crop shortage with high prices, or a Model A blew you into open water again. This time the motive power has to come from *inside* business. The Federal Reserve firemen down in the boiler room can help a bit more; but don't count too much on them. You've got to pull yourself out of the mud this time.

"Ah, yes, we've heard all your alibis on the poop-deck this summer. There's the nice, comfortable, broad-minded one of calm confidence in recovery: 'Sure, business will improve this fall; then we'll all be busy again; why worry now'—forgetting that business never *gets* better; that somebody always *makes* it better by doing some of it.

"Then there's the much more common alibi of the hard-boiled boys, who are in the know, who saw it coming, who see it staying for years, who sold everything and are sitting tight, while they practice the professional patter picked up from the financial pages about the panic of '93, the gold production petering out, the prolonged period of declining prices, the automobile market being saturated, Europe going broke, and the debts never being paid.

"Are they going out of business, then, these wise old owls? Not much and not yet, if they ever were in it at all. They'll be on board when the ship gets under way, singing chanties round the capstan—when they hear the other boys begin. But who will feed the deck-hands in the meantime?

"There's nothing for it now but to raise the anchor and put your weight against the oar. The tide is at the ebb, and we've been becalmed here long enough. The captain of one of the largest corporations in the country said recently that he was personally urging all his mates in every big industry to take out and dust off their idle money in the banks and start buying materials, machinery and man-hours now, so that men might begin buying things again. All, he thought, were as low, in price and spirits, as they were likely to go.

"The way to give a lift to Labor now is to do a little of it."

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